

REDACTED

**Crosby, Michael**

---

**From:** Carter, Lonnie  
**Sent:** Monday, November 28, 2016 1:08 PM  
**To:** MARSH, KEVIN B (KMARSH@scana.com)  
**Subject:** Wednesday's SCE&G/Santee Cooper meeting  
**Attachments:** Nuclear Timelines--Project Management.docx; Nuclear Timeline-Bankruptcy.docx; Securitization Assessment Nov 28 2016.doc.docx

Kevin,

This letter is sent to assist you in preparation for our meeting on Wednesday (11/30), as both our teams prepare for the joint Board meeting scheduled on December 5. We both share the strong desire to work as a team to see the Summer 2&3 Project successfully completed. This letter is offered in that spirit:

From Santee Cooper's perspective, there are 3 primary items we need to discuss on Wednesday. Candidly, the first two have become items of frustration for Santee Cooper, and have put me in an awkward position with my Board, who are insisting to know why no action has been taken. I asked Santee Cooper's team to prepare timelines which show when the items were raised and discussed. These timelines are written from Santee Cooper's perspective, and perhaps will provide insight to your team.

1. Increased project management expertise in large scale EPC construction.
2. Bankruptcy counsel.
3. Release of the Bechtel Report to the Cooperatives.

**Increased project management expertise in large scale EPC construction--**We need to be prepared to discuss with our Board, after two years of requests and an affirmative commitment from you on more than one occasion, why this has not yet been done. The attached timeline is illustrative.

The formation of the CORB was SCANA's response to the Betchel Report and Santee Cooper's request for better Project oversight with large EPC experience. Based on the recommendations we heard at both CORB briefings, I am concerned that we learn critical information too late from an outside team that comes in quarterly for a few days, which should have been brought to our attention by our teams. The information we learned last week was very important and key to the effectiveness of our President's Meetings with WEC and Fluor.

As we discussed following the call, we must determine if our teams have the knowledge and expertise to glean this key information. If they do have the knowledge and expertise, then what are the reasons the information does not reach us? If they do not have the knowledge and expertise, what can be done to staff in such a manner to have this information available in a timely manner? I recommend that we move quickly to act on the CORB's recommendations and set specific timeframes for our team to implement.

**Bankruptcy counsel—**Bankruptcy expertise would significantly inform our team as we negotiate with WEC going forward. Our separate, collective and independent analysis suggests that the fixed price option offered by WEC is likely significantly less than the cost WEC will incur to complete the Project. This is the very reason that we selected the fixed price. Regrettably, we must anticipate WEC having financial difficulty completing the Project, particularly in a timely manner. We should consider all options available to us that will insure WEC lives up to our Agreement. Our strategies should contemplate potential bankruptcies for both WEC and Toshiba. Toshiba's weakened financial condition is an unfortunate development as WEC's guarantor that we must also consider.

After no action on our repeated requests on this topic, as indicated in the attached timeline, I asked our legal team to find bankruptcy counsel. When we advised the SCANA team of this and our recommendation, no response has been received. This issue is of such concern to the Santee Cooper Board (as the timeline shows this was brought up at our first joint Board meeting) that I further asked our legal team to conduct an assessment of the securitization of the Project in the event WEC is unable to finish. This is something that

would typically be undertaken by counsel with bankruptcy expertise. The securitization assessment is attached for your benefit. We will be prepared to discuss it further on Wednesday.

**Release of the Bechtel Report to the Cooperatives**—We are backed into a corner on this. Our largest customer, having learned of it through intervention in SCE&G's fixed price petition, demands a copy of the report. Our requests to your legal team to put some parameters around the disclosure has been met with the response that we should not release it. Not releasing this information will likely bring formal requests that will be an untenable position for both our companies.

We look forward to our discussion on Wednesday.

Thanks,  
Lonnie

### Nuclear Timeline—Additional Project Management Request

For well over two years, the Santee Cooper Board and management team have been pressing SCANA to substantially enhance the construction project management team by repeated direct requests, through the Bechtel analysis, and via the CORB process, as indicated by the timeline below.

#### Timeline: Project Management

- May 2014: **Roll-up Letter** - Shortly after sending the May 2014 roll-up letter to WEC receiving the \$1B EAC (Aug), Santee Cooper began discussions with SCE&G executives to engage outside assistance with management of the EPC contract.
- Sep 3, 2014: **Marsh email to Carter (September 3, 2014 at 2:06:00 PM EDT) ...**
- “We are ready to move forward with hiring/engaging an additional resource with significant construction expertise to assist us with evaluating the construction schedule and project status. I believe having this person on our staff vs. working as a consultant will avoid conflicts with the consortium on proprietary matters.”
- Feb 17, 2015: **SCANA Meeting (Timmerman’s old office)** - Marsh, Byrne, Carter, Watson, Crosby) - Santee Cooper suggests Bechtel for project review, providing SCANA with a project assessment proposal to assist in identifying areas for improvement.
- Apr 7, 2015: **Bechtel Meeting (SCANA Hangar)** - Team Marsh, Team Carter, & Bechtel – Bechtel introduces its nuclear team and presents assessment proposal. Kevin agrees to seek SCANA Board approval to go forward with an assessment.
- Apr - Aug: **SCANA and Santee Cooper Board approvals received** - to move forward with a Bechtel project assessment.
- Aug 10, 2015: **Bechtel Assessment** – finally begins. Much time lost April through July getting Roderick & Asherman engaged and NDAs and PO in place. To push forward, Santee Cooper made the Bechtel assessment a “requirement” to proceed with the (stalled) negotiations that eventually led to CB&I exiting the Project.
- Aug – Oct: **Bechtel Calls** – Craig Albert holds weekly calls with Marsh & Carter. SCANA NND project leadership has limited involvement in the assessment. Cherry steps up to lead effort on behalf of Owners. Cherry engages Archie in a daily effort to force WEC (Benjamin / Roderick) to release engineering & schedule documents. Carl Rau & Roderick eventually have a heated email exchange. Documents are finally released to a reading room only - the assessment effort is a challenge.
- Oct 22, 2015: **Bechtel Meeting (SCANA HQ)** – Bechtel executive level report-out of project assessment, findings, and high-level recommendations. Bechtel promises a final report in 2–3 weeks. SCANA management expresses hesitation, routes



assessment through legal department, indicates concern Bechtel's objective is to seek a long-term engagement on the Project.

Nov 12, 2015: **Bechtel Assessment Report – issued to George Wenick** - Weeks go by with Wenick/Bechtel wrangling over Wenick's rejection of initial report, redactions, timeline removal, critique of project management. Baxley, Pelcher, Lindsay, and Bynum meet with Wenick (in Atlanta) for a review and final disposition of report.

Feb 5, 2016: **Bechtel Project Assessment Report** – Numbered copies of final report released to Santee Cooper by SCANA.

Mar 4, 2016: **Santee Cooper Recommendations** – Five formal recommendations forwarded to Marsh:

1. Construction Milestone Payment Schedule
2. Project Evaluation and Assessment by Owners
3. Quarterly Meetings with Toshiba / WEC / Fluor
4. Evaluation of Fixed Price Option
5. Professional Oversight of EPC Agreement

Mar 7, 2016: **SCANA Meeting (Kevin's conference room)** – Marsh, Byrne, Archie, Lindsay, Bynum, Team Carter – group discusses Bechtel Report and Santee Cooper formal recommendations. Carter praises SCANA's project management team for its operations experience and ability to work well with NRC, but expresses concern over inability to hold Consortium accountable.

Marsh agrees to have the SCANA and Santee Cooper teams study the Bechtel Report, agree on actionable recommendations. Marsh agrees to add EPC resources to his team to fill any gaps/needs identified.

Marsh, Byrne & Archie float Construction Oversight Review Board (CORB) approach as a possible resource solution ... same was being used at Vogtle.

CMPS – at Santee Cooper's request, Marsh agrees to hire Bechtel (Jason Moore) on a limited scope basis to assist team in development of the CMPS. Action assigned to Archie. Archie first attempts to hire Jason Moore as an independent contractor. Subsequently, Craig Albert instructs his staff to move on.

Mar 11, 2016: **CEO Meeting (Columbia)** - Marsh, Harold Stowe, Carter, Leighton Lord – meet to discuss Santee Cooper's formal recommendations and expectations of SCANA for the planned Mar 21 Joint Board meeting.

Mar 18, 2016: **Marsh email to Carter (March 18, 2016 at 8:25:34 AM EDT)** ... pertinent excerpts provided below:

"Our team is looking forward to meeting with the Santee Board next Monday ..."

"We appreciate the effort behind the recommendations provided to us regarding your views on project issues. We have carefully considered your concerns and, as we discussed in our meeting last week, we appear to be in alignment on the first four. We agree in principle with the concern expressed in Item 5 related to additional oversight of the project and have a plan of action that we believe will address the issue appropriately. Our first step in this regard is to staff a Construction Oversight Board.

"Next we would seek an appropriate number of experienced EPC, and/or large construction project personnel to add to the new nuclear team. These individuals would be available to assist the current Project Management Office team and site leadership in assessing and addressing issues arising during construction. I am confident that the number and specific type of personnel needed in this capacity will be informed by the work of our teams who are currently summarizing a list of recommendations for the project going forward. We expect these teams to complete their work and provide a report to senior management by the end of April."

Mar 21, 2016: **Joint Board Meeting 1 (Columbia Hilton)** – discussed Bechtel Report, Santee Cooper March 3 formal recommendations and SCANAs plan forward to address issues.

Marsh committed that SCANA and Santee Cooper would work to identify actionable Bechtel recommendations. SCANA would add EPC experts to its team, and that SCANA would charter a V.C. Summer Construction Oversight Review Board to help SCANA with project execution.

Apr 7, 2016: **SCANA feedback on Bechtel Assessment** – Cherry and Crosby meet with Archie and Bynum. In response to Marsh's request for the teams to work on the Bechtel assessment recommendations, Bynum gave Santee Cooper a spreadsheet containing SCANA feedback from several members of the NND project management team. Brad Stokes (SCANA Manager of Engineering) had not been a part of the Bechtel assessment review effort, even though many issues tied to engineering were impeding progress on the Project.

Apr 15, 2016: **Santee Cooper feedback on Bechtel Assessment** – Also in response to Marsh's request for the teams to work together on the Bechtel assessment, Santee Cooper forwarded Archie and Bynum Santee Cooper's formal review of the Bechtel assessment which included a cross-reference to SCANAs feedback. Santee Cooper's feedback was consistent with its Mar 3<sup>rd</sup> recommendations calling for the addition of EPC expert resources to assist SCANA project management with executing Bechtel recommendations on engineering, procurement, project controls & scheduling.

Archie called Crosby and Byrne emailed Crosby a few days later and confirmed that they had received and reviewed Santee Cooper's feedback ... and that the teams were in agreement.



May 19, 2016: **SCANA meeting – CMPS & Bechtel Assessment** – Marsh, Byrne, Archie, Carter, Crosby, Cherry meet.

**CMPS:** WECs front-end loaded CMPS discussed in detail. Santee Cooper again requested SCANA seek outside expertise to assist Owners with this issue.

**Bechtel Assessment:** Due to the progress WEC & Fluor appear to be making on procurement issues – Santee Cooper agreed to narrow the focus of the Bechtel recommendations to only engineering issues.

Jun 17, 2016: **Santee Cooper Board Meeting (Wampee)** – Fixed Price Option formally introduced to the Santee Cooper Board. .

Jun 18, 2016: **Crosby email to Archie (June 18, 2016 10:50 AM EDT)** – Marsh, Carter and Byrne were copied ... pertinent excerpts provided.

“Yesterday, Marion brought me the attached document that you gave him Thursday on the Project Assessment Report.... SCANA's recommendation, and apparent next step, is to perform (another) 3<sup>rd</sup> party assessment on how to make things better.....I am not supportive of just another 3<sup>rd</sup> party assessment. The assessment completed Q3 2015, at a cost of \$1M, was sufficient for Santee Cooper to recognize the need to on-board experts help to work on key issues and improve the management of the Project.” No response was received.

Jun 20, 2016: **Joint Board Meeting 2 (Nexsen Pruet)**

**Fixed Price Option:** SCANA presents its analysis of the Fixed Price Option.

**CORB:** Peggy Pinnell (Santee Cooper Director) reminds Archie of his commitment in the Mar 21 joint meeting to get the CORB established as soon as possible. Archie recommits to getting the CORB established by Jul 20.

Aug 2016: **CORB Review #1** – The Construction Oversight Review Board held its first review in Jul & Aug. The initial review provided for a high-level review of the project schedule, construction, construction to startup turnover planning, engineering, startup, project management, procurement, document control, vendor supplied equipment, and component testing. An executive level exit meeting was held on Aug 18 – primary takeaways follow:

- Schedule has too many activities (238K vs 60K at Watts Bar 2)
- Subcontracts are not in schedule
- Engineering is impeding construction
- Engineering not in schedule – being handled by lists
- Project Management – must get aggressive to hold EPC accountable. Team will not make it without some help

CORB Chairman (Skaggs) promised final report in 2 weeks.

Sep 16, 2016: **Draft CORB Report #1** – received from SCANA after Carter discussed with Marsh that the report was past due. Report was in-house SCANA and being reviewed by Archie. Bynum forwarded a copy to Baxley and reminded Santee Cooper the report was confidential.

Oct 13, 2016: **SCANA action on CORB Report #1** – Williams requests an update from Archie on Oct 5. Jones forwards a report on Oct 13. The information received was primarily a report on what WEC & Fluor are doing to address CORB recommendations on schedule, engineering, project metrics, etc.

**Conclusion:** SCANA's project management team has many areas of strength (nuclear safety culture, operations, NRC management) but does not have the comprehensive skills and depth of experience necessary in engineering, scheduling, project controls and construction to manage a large new build project laced with complexities. Those complexities being (1) a first of a kind nuclear technology (2) being deployed by an over-extended equipment manufacturer (Westinghouse), (3) backed by an incompetent engineering firm responsible for project integration (Stone & Webster now WECTEC), and (4) a Contractor that has been disingenuous on multiple issues. The Project would be greatly benefitted by infusing the current project management team with a framework of qualified EPC managers charged with working collaboratively with the Owner and Consortium to identify areas for improvement, suggest proven solutions, and to provide an independent perspective on actual progress – the effort aimed at increasing the accountability of the Consortium and the success of the Project. After three years of project delays, and now another five months of Unit 2 delay realized in 2016 – there should be no shame in reaching out for qualified assistance.

### **Nuclear Timeline—Project Bankruptcy Counsel**

Beginning with the precipitous decline of Toshiba's credit rating and financial strength, the Santee Cooper Board and management team have been requesting that SCANA retain bankruptcy counsel for the project. The following timeline is illustrative:

#### **Timeline: Bankruptcy Counsel**

April 2015: Toshiba announces accounting scandal.

July 21, 2015: Toshiba senior executives and Board of Directors resign.

Dec 22, 2015: Moody's reduces Toshiba long term bond rating to junk status.

Mar 2016: Santee Cooper approaches Nelson Mullins bankruptcy counsel about Project, conflicts check shows WEC is a client of Nelson Mullins in some capacity.

Mar 21, 2016: **Joint Board Meeting 1 (Columbia Hilton)** – Boards discussed declining financial condition of Toshiba and what financial response the Owners should make to poor project progress. Owners' counsel met with George Wenick that afternoon and Santee Cooper requested that bankruptcy counsel be retained for the Project as a proactive measure given Toshiba's and potentially WEC's financial condition.

Apr 4, 2016: **Pelcher email to Bynum (April 4, 2016 4:01 PM EDT)** – pertinent excerpt

"... has SCE&G secured a project bankruptcy attorney to help us think through how Toshiba's financial difficulties might impact Westinghouse and ultimately us? You may recall this is a topic we discussed during our Mar 21 (post board meeting) nuclear attorneys meeting ..."

Jun 7, 2016: **Crosby email to Byrne (June 07, 2016 6:03 PM EDT)** – pertinent excerpts

"... Lonnie asked me to forward you and Kevin a proposed agenda for the joint meeting on the 20th. Here is what I have so far ... welcome your comments.

#### **1. Fixed Price Option**

- a. SCANA analysis – presentation
- b. PSC Testimony – any comments that can be shared
- c. Draft SCANA letter to Santee Cooper – recommending FPO
- d. Potential Bankruptcy – outside legal opinion & plan to address"

Jun 16, 2016: **Marsh email to Carter (June 16, 2016, at 3:39 PM)** – pertinent excerpts

"Based on our internal discussions, we propose an agenda as follows:



1. Follow-up on issues from our last joint meeting;
2. Consideration of the fixed price option; and
3. Update on the milestone schedule/Dispute Resolution Board (DRB) issue"

"Through a number of emails I have seen other topics that your board may want to discuss. We are prepared to do that, but we believe that such a discussion should occur when we have more time. Issues, such as the potential bankruptcy of Toshiba or Westinghouse are critical, but would prefer to have some detailed discussions and debate within our project teams before making a formal presentation to either of our boards."

Jun 16, 2016: **Carter email to Marsh (Jun 16, 2016, 7:20 PM)** – pertinent excerpts

"... Finally, I agree with you that further staff level discussion on the ramifications of a Toshiba or Westinghouse bankruptcy would be useful and should precede any formal presentations to our boards on this matter. With that said, the possibility of such a bankruptcy cannot be entirely divorced from our joint board discussions on Monday. For example, Item No. 2 on your agenda relating to the fixed price option obviously shifts risk away from the Owners and to Toshiba/Westinghouse, making their credit worthiness all the more important. Similarly, with respect to Item No. 3, getting the milestone payment schedule right will make it less likely that Westinghouse view as desirable a strategic Chapter 11 bankruptcy to rid itself of uneconomical executory contract."

Jun 17, 2016: **Carter email to Marsh (June 17, 2016 5:12 PM)** – pertinent excerpts

"At today's Santee Cooper Board meeting several questions regarding the implications of a Toshiba bankruptcy came up. Some we could address others not. I would anticipate similar questions Monday....."

Jun 23, 2016: **Pelcher email to Bynum (June 23, 2016, at 5:12 PM)** – pertinent excerpts

"... At one of my notes from Monday's Joint SCANA/Santee Cooper Board Meeting in Columbia was an interest by members of the respective boards in retaining project bankruptcy counsel to provide strategic advice on the challenges associated with Toshiba's financial difficulties arising out of last year's accounting scandal and the risk that posed to the Owners and the project."

"As I understood the discussion from Monday, our joint boards had an interest in retaining as project counsel someone who would be able to represent us both now and in the event of a bankruptcy without having to get a waiver from Westinghouse or Toshiba. My notes indicate that you tasked George Weniek to identify potential project bankruptcy counsel for this purpose."

"One more thing - - and just speaking for myself - - in the penultimate paragraph of his June 16, 2016, at 3:39 PM Email, below, Kevin Marsh advanced the idea of

possibly making a "formal presentation" to our boards on the bankruptcy/insolvency issue after some further analysis/discussion among staffs of SCE&G and Santee Cooper. Given the demonstrated interest in this issue by our board, I think this is a very good idea."

"I would think that the content of such a board presentation would be informed not only by the analysis of the project bankruptcy attorney we eventually (hopefully very soon) retain, but also by a more granular understanding of Toshiba's and Westinghouse's financial situation. Although as a Japanese company the particulars of Toshiba's financial situation might be a bit opaque to us over here, I would think that there would be resources availability to allow us to develop a better picture of its situation and prospects."

Jun 24, 2016: **Bynum email to Pelcher ( June 24, 2016 1:53 PM)** – pertinent excerpt

"Ron and I talked to George yesterday about adding bankruptcy support. He is looking for candidates. We are likely comfortable with whoever he suggests"

Jun 30, 2016: **Pelcher email to Bynum (June 30, 2016 11:41 AM)** – pertinent excerpt

Al: Following Up on our Email Exchange of late last week on bankruptcy counsel, and anticipating that this issue might be raised by one of our board members in connection with today's meeting, has any progress been made in securing project bankruptcy counsel? As you may remember, the issue of WEC/Toshiba bankruptcy/insolvency was on the mind of several of our board members during the June 20<sup>th</sup> Joint Meeting."

Jun 30, 2016: **Bynum email to Pelcher (June 30, 2016 2:59 PM)** – pertinent excerpt

"George will have to answer your bankruptcy question – we delegated that to him"

Aug 19, 2016: **Pelcher email to Bynum (August 19, 2016 8:43 AM)** – pertinent excerpt

"Al: As you may know, the Santee Cooper meeting on Monday, August 22<sup>nd</sup>. There will be the now normal update on V.C. Summer Units 2 and 3 in Executive Session. I will be on hand to answer questions of a legal variety that may arrive. "

"QUESTION: If asked by a board member in Executive Session about the status of securing project bankruptcy counsel, what should I tell them?"

Sep 28, 2016: **Pelcher email to Wenick / Bynum (September 28, 2016 2:20 PM)** – pertinent excerpts



"George/Al: I was on the Executive Floor today and a question came up about whether George has made any progress in identifying a project bankruptcy counsel? You may recall, that this is a matter that our joint boards discussed during their June 20<sup>th</sup> meeting. I have pasted below for your convenience prior Email on this matter."

"The next Santee Cooper Board meeting is scheduled for October 14<sup>th</sup> and I anticipate this issue coming up at that time."

Oct 24, 2016 **Carter and Baxley travel to New York and meet with Dentons, LLC attorneys regarding project bankruptcy counsel.**

Oct 25, 2016 **Carter letter to Marsh:**

During the June 20 joint meeting, members of both our Boards expressed concern about the financial difficulties being faced by Toshiba Corporation and Westinghouse Electric Company and how those problems could possibly impact the timely and successful completion of the project. One action item that SCANA agreed to take on was securing Project Bankruptcy Counsel who would help us think through Toshiba/Westinghouse insolvency scenarios so that we might begin planning now on how mitigate the impact of such an unfortunate possibility. Indeed, in a June 16, 2016 email to me, you expressed the very same concerns describing "the potential bankruptcy of Toshiba or Westinghouse [as] critical" but expressing the "prefer[ence] to have some detailed discussions and debate within our project teams before making a formal presentation to either of our Boards." The time for that formal presentation to the Board has arrived.

Oct 28, 2016 **Email from Baxley to Marsh and SCANA legal team:**

I'm pleased to report that this week we have located bankruptcy counsel for the nuclear construction project. Stuart Caplan of Dentons New York office has assembled an energy/large construction group with whom we met this week. Stu is well known to Santee Cooper and has represented us in multiple issues over three decades. He is assisted by Farrington Yates who focuses on large scale construction bankruptcies representing creditors. The third member of the team is a large construction project risk avoidance specialist who has litigated the aftermath of multiple mega projects and personally knows at least one of our DRB—John Hinchey—and made several accurate observations about his personality.

No reply received from any recipient.

Confidential/Proprietary/Attorney Work Product

**EPC Securitization Assessment**

**Redacted - Privilege**

**Redacted - Privilege**

**Redacted - Privilege**

**Redacted - Privilege**

**Redacted - Privilege**

**Redacted - Privilege**



**Redacted - Privilege**

**Redacted - Privilege**

**Redacted - Privilege**

**Redacted - Privilege**

Respectfully Submitted,

Nuclear Project Securitization Team

J. Michael Baxley  
Michael R. Crosby  
Elizabeth H. Warner  
Stephen R. Pelcher  
Rahul Dembla

November 28, 2016

[SCG] - SCANA Corporation 4th Quarter 2014 Earnings Conference Call/Webcast  
Thursday, February 19, 2015 3:00 PM Eastern

Officers:

Susan Wright; SCANA Corp.; Director of Financial Planning & IR  
Jimmy Addison; SCANA Corp.; CFO  
Steve Byrne; SCANA Corp.; SCE&G COO

Analysts:

Andrew Weisel; Macquarie Capital; Analyst  
Jim von Riesemann; Mizuho; Analyst  
Ashar Khan; Visium; Analyst  
Michael Weinstein; UBS; Analyst  
Travis Miller; Morningstar; Analyst  
Paul Patterson; Glenrock Associates; Analyst  
Jonathan Reeder; Wells Fargo; Analyst  
Andy Levi; Avon Capital Advisors; Analyst  
Michael Lapides; Goldman Sachs; Analyst

Presentation

Operator: Good afternoon, ladies and gentlemen. Thank you for standing by. I will be your conference facilitator today. At this time, I would like to welcome everyone to the SCANA Corporation conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer period. (Operator Instructions)

As a reminder, this conference call is being recorded on Thursday, February 19th, 2015. Anyone who does not consent to the taping may drop off the line.

At this time, I would like to turn the call over to Susan Wright, Director of Financial Planning and Investor Relations.

Susan Wright: Thank you, and welcome to our analyst call. As you know, earlier today, we announced financial results for the fourth quarter and full year of 2014.

Joining us on the call today are Jimmy Addison, SCANA's Chief Financial Officer, and Steve Byrne, Chief Operating Officer of SCE&G. During the call, Jimmy will provide an overview of our financial results and related matters, and Steve will provide an update of our new nuclear project. After our comments, we will respond to your questions.

The slides and the earnings release referenced to in this call are available at SCANA.com. Additionally, we post information related to our new nuclear project and other investor relations information directly to our website at SCANA.com. On SCANA's homepage,

there is a yellow box containing links to the new nuclear development and other investor information sections of the website.

It is possible that some of the information that we will be posting from time to time may be deemed material in the information that has not otherwise become public.

You can sign up for e-mail alerts under the investor relations section of SCANA.com to notify you when there is a new posting in the new nuclear development and/or other investor relations information sections of the website.

Finally, before I turn the call over to Jimmy, I would like to remind you that certain statements that may be made during today's call are considered forward-looking statements and are subject to a number of risks and uncertainties as shown on slide 2. The Company does not recognize an obligation to update any forward-looking statements.

Additionally, we may disclose certain non-GAAP measures during this presentation, and the required Reg-G information can be found on the investor relations section of our website.

I'll now turn the call over to Jimmy.

Jimmy Addison: Thanks, Susan, and thank you all for joining us today.

I'll begin our earnings discussion on slide 3. Basic earnings in the fourth quarter of 2014, were \$0.73 per share, consistent with the same period of the prior year. Overall, electric margins increased during the fourth quarter of 2014, versus the same quarter of the prior year, due primarily to continued recovery of financing cost through the Base Load Review Act, or BLRA, and customer growth.

As a reminder, the electric weather-normalization pilot ended in December 2013, and the Company's financial results for 2014 and going forward, are now impacted by abnormal weather in our electric business.

Accordingly, during the fourth quarter of 2014, we estimate that weather had a negative impact of \$0.02 on electric margins versus the fourth quarter of the prior year. Additionally, higher gas margins and a slight decrease in the Company's effective tax rate also contributed to the quarter. These increases were offset by expected increases in operations and maintenance expenses and CapEx-related items, including depreciation, interest expense, as well as share dilution.

Please turn to slide 4. Basic earnings per share for the year ended December 31, 2014, were \$3.79 per share versus \$3.40 per share in 2013. Increases in electric and gas margins, as well as the decreases in the effective tax rate were partially offset by operations and maintenance expenses and higher expenses and dilution related to our capital program.

For the full year of 2014, we estimate weather added \$0.21 per share to electric margins versus the prior year.

Now on slide 5, I'd like to briefly review results for our principal lines of business. South Carolina Electric and Gas Company's full-year earnings, denoted in blue, were up \$0.41 per share for 2014, compared to the prior year. This was driven largely by increases in electric margins, which were due primarily to abnormal weather, plus the continued recovery of financing costs through the BLRA and customer growth.

Higher gas margins also contributed to the earnings improvement. These increases were partially offset by increases in O&M expenses, expenses related to our capital program, including property taxes, interest expense, and depreciation, as well as share dilution.

For the fourth quarter, basic earnings per share were \$0.02 higher than in the same period last year.

PSNC Energy's earnings, shown in red, were \$0.39 per share for the full year of 2014, compared to \$0.37 per share in the prior year. This increase is mainly attributable to customer growth. For the fourth quarter of 2014, basic earnings were \$0.16 per share, consistent with 2013.

SCANA Energy, our retail and natural gas marketing business in Georgia, in green, showed an increase in earnings per share of \$0.01 over last year. This is mainly due to increased margins from higher throughput during the first and fourth quarters of 2014.

As a reminder, the increased margins in the first quarter were partially offset by higher commodity prices experienced in serving the incremental volumes and price competition.

For the fourth quarter of 2014, basic earnings per share were also up \$0.01 over the same period of 2013.

SCANA's corporate and other businesses reported a loss of \$0.03 per share in the fourth quarter of 2014, compared to near breakeven results in the fourth quarter of the prior year. For the 12-month period, these businesses reported a loss of \$0.01 per share in 2014, compared to earnings of \$0.04 per share in 2013. This change is primarily the result of higher interest expense [at] the holding company due to the accelerated amortization of debt issuance cost associated with hybrid securities that were called at par in early 2015, prior to their maturity.

On slide 6, we have provided two years of historical financial data on the two subsidiary sales we recently announced to assist in updating your models. The CGT transaction closed on January 31st, and the SCI transaction is scheduled to close shortly. To recap, these transactions will generate approximately \$650 million of gross proceeds.



Our updated estimate of the net cash available to fund our expansion will exceed \$425 million after taxes. I will discuss the plan changes to our financing plans shortly.

I would now like to touch on the economic trends in our service territory. As you can see on slide 7, during 2014, companies announced plans to invest over \$1 billion, with the expectation of creating over 7,500 jobs in our Carolinas territories.

At the bottom of the slide, you can see the national unemployment rate along with the rates for the three states where SCANA has a presence and the SCE&G electric territory. South Carolina's unemployment rate is now at 6.5%, and the rate in SCE&G's electric territory is estimated at 5.6%.

At the top at slide 8, you can see the South Carolina unemployment statistics as of December 2014, and 2013. Although the South Carolina unemployment rate only dropped a tenth of a percentage point from the end of 2013, December 2014 marked all-time highs for the number of South Carolinians employed and in the labor force. The nearly 50,000 additions to the workforce represent a 2.4% increase over December 2013 levels.

So in short, the expansion of the economy has clearly motivated many that had removed themselves from actively seeking work back into the workforce.

The December market numbers from the South Carolina Association of Realtors showed increases in new listings, pending sales, and median sales prices, while available housing inventory shrank.

I also wanted to mention, as depicted at the bottom of the slide, that United Van Lines recently released its annual movers study for 2014, which tracks migration patterns state to state. Once again, South Carolina and North Carolina ranked second and third, respectively, in terms of domestic migration destinations, corroborating our realized customer growth statistics. These are all very positive signs for our territories.

Slide 9 presents customer growth and electric sales statistics. On the top of the slide are the customer growth rates for each of our regulated businesses. We continue to see strong customer growth in our businesses and in the region.

SCE&G's electric business added customers at an annual rate of 1.4%. Our regulated gas businesses in North and South Carolina added customers at 2.5% and 2.8%, respectively. Of particular note is the fact that all of these rates accelerated during the year.

The bottom table outlines our actual and weather-normalized kilowatt hour sales for the 12 months ended December 31st, 2014. Overall, weather-normalized total retail sales were up 0.6% on a 12-month-ended basis, driven mainly by strong industrial demand.

We continue to see slightly lower weather-normalized consumption at the residential level, reflecting anticipated energy efficiencies.

Now please turn to slide 10, which recaps our regulatory rate base and returns. The pie chart on the left presents the components of our regulated rate base of approximately \$8.9 billion. As denoted in the two shades of blue, approximately 85% of this rate base is related to the electric business.

In the block on the right, you will see SCE&G's space electric businesses in which we are allowed a 10.25% return on equity. The earned return for the 12 months ended December 31st, in the base electric business is approximately 10%, meeting our stated goal of earning a return of 9% or higher, to prevent the need for non-BLRA-related base rate increases during the peak nuclear construction years. We are very pleased with the execution of our strategy.

Continuing down the page, on our new nuclear business, we are allowed an 11% return on equity. As you may recall, the Public Service Commission of South Carolina approved our 2014 request for revised rates under the BLRA, which had an incremental CWIP of approximately \$561 million to our rate base and increased rates by approximately 2.8% in November.

Our regulated gas businesses in the Carolinas continue to perform well. We're allowed a return on equity of 10.6% and 10.25% in North and South Carolina, respectively, and we continue to operate these businesses within a reasonable range of those returns.

As a reminder, in November, SCE&G's gas business implemented a \$2.6 million revenue reduction as a result of the Rate Stabilization Act.

Slide 11 presents our CapEx forecast. This forecast has been updated to reflect our most current CapEx projections for 2015 and 2016, and is now inclusive of our 2017 estimates. Note that this forecast excludes CGT and SCI, as the sale of CGT has been completed and the transaction for SCI is expected to close by the end of this quarter.

Also, this forecast reflects the Company's current estimate of new nuclear spending through 2017, which is updated from what was filed in our quarterly BLRA report. The data in the BLRA reports are limited to the last approved order by the Public Service Commission of South Carolina and are not always consistent with our new nuclear CapEx expectations.

This forecast more accurately aligns itself with our anticipated project spending over the next three years as it relates to the schedule delay.

At the bottom of the slide, we recap the new nuclear CWIP from July 1 through June 30, to correspond to the periods on which the BLRA rate increases are calculated.

Now please turn to slide 12. To summarize our financings for 2014, on May 27th, SCE&G issued \$300 million of 50-year bonds at 4.5%. On the equity side, we issued approximately \$100 million from our 401k matching and DRIP plans.

Looking forward, we revised our estimated financing plan through 2019. While these are our best estimates of incremental debt and equity issuances, it's unlikely that these issuances will occur exactly as presented, as they are subject to changing in our funding needs for planned project expenses.

This plan contemplates both the estimated delays in the timing of the disbursements related to the new nuclear project, as well as deployment of the proceeds from the sale of the subsidiaries.

As mentioned in our press release, the plan is to use the cash proceeds, net of taxes, from the sale of the subs to displace equity issuances. However, until we can fully deploy the proceeds for that purpose, we're taking advantage of this infusion of cash.

Earlier this month, SCANA redeemed in advance of maturity, at par, it's \$150 million 2009 Series A 7.7% enhanced junior subordinated notes. In addition, we have delayed long-term debt issuances and are reducing our short-term borrowings.

We also turned off the issuance of new shares to supply our 401k and DRIP plans earlier this year, and anticipate delaying the need for any additional equity issuances until 2017. We don't currently project the need for any additional equity beyond the new shares provided by the use of 401k and the DRIP plan, which we will turn on as needed.

Overall, we continue to adjust the financing to match the related CapEx on a 50/50 debt and equity basis. Obviously, the construction delay has slowed expenditures, but they were also significantly reduced by lower-than-anticipated escalation. The delay is a matter of timing, but the escalation on those components already received or completed will result in permanent savings. Any change in the amount or timing of the new nuclear cost would obviously result in a change in this plan.

I would now like to discuss our 2015 earnings guidance and related assumptions as shown on slide 13. First, as you can see on the top left of the slide, we are resetting our base year for our long-term GAAP-adjusted average annual growth guidance of 3% to 6% over the next three to five years, off of 2014's GAAP-adjusted weather-normalized EPS of \$3.58 per share.

Our 2015 operating plan, exclusive of the aggregate gains on the sale of the two subsidiaries, would have resulted in \$3.74 per share. However, we project the 2015 earnings will be negatively impacted by \$0.04 per share due to the short-term impact of these two sales.

While these transactions are expected to yield approximately \$0.04 per share of accretion on a long-term basis, all of the proceeds can't be efficiently deployed in the short run to displace equity needs. As such, we believe there will be downward pressure on 2015's expected earnings, which is considered in our guidance.

Therefore, our 2015 net internal target for GAAP-adjusted earnings is \$3.70 per share. Our GAAP-adjusted earnings per share guidance is \$3.60 to \$3.80 per share. But due to the cyclical nature of our business, we expect to earn approximately 30% of this amount in the first quarter, approximately 25% in each the third and fourth quarters, and the remaining 20% in the second quarter.

In computing this guidance range, we have included the impact of a base rate increase from our nuclear filing under the BLRA, the 2014 gas RSA filing, and our view of the economy. This guidance also incorporates the CapEx and financing plans we presented earlier.

We continue to assume customer average use of electricity will be slightly lower this year, as energy efficiency trends continue to work their way into the market. We anticipate overall weather-normalized retail electric sales growth for 2015 to decline by approximately 0.6%. We forecast electric customer growth to be similar to 2014.

Operation and maintenance expenses are expected to be relatively flat in 2015 compared to 2014 actuals.

Our effective tax rate for 2014 was slightly less than 32%, and we estimate the rate for 2015, exclusive of the taxes on the gains of the sales of the subsidiaries, will be approximately 31%.

Hopefully, this will provide you with a line of sight into our view of 2015, as you update your models.

Finally, I will mention that earlier today we announced an increase in our annual dividend rate for 2015 of \$0.08, to \$2.18 per share, a 3.8% increase. The results of 2014 and confidence in the long-term strategy were key considerations.

We continue to anticipate growing dividends fairly consistent with earnings while staying within our stated payout policy of 55% to 60%.

I'll now turn the call over to Steve to provide an update on our nuclear project.

Steve Byrne: Thanks, Jimmy. I want to begin by recapping the preliminary new nuclear construction schedule and cost information we received from the Consortium.

As described last week in our quarterly BLRA update filing with the Public Service Commission of South Carolina, the Consortium has indicated the substantial completion date for Unit 2 is expected to occur by June of 2019, and the substantial completion date for Unit 3 may be approximately 12 months later.

We are continuing our discussions with the Consortium in order to identify potential mitigation strategies to possibly accelerate the substantial completion date of Unit 2, to a

time earlier in the first half of 2019, or to the end of 2018, with Unit 3 following approximately 12 months later.

As Jimmy previously mentioned, we are in the midst of a negotiation process with the Consortium and we cannot predict when the revised schedule and cost estimates will be resolved. Further, neither SCE&G nor Santee Cooper has accepted the new preliminary schedule or financial responsibility associated with these delays.

We anticipate filing a petition requesting an adjustment to our current capital cost and construction schedules with the Public Service Commission [for] the end of this quarter. Under the BLRA, the Public Service Commission would then have six months to issue its order.

I would now like to discuss some of the activities at the new nuclear construction site.

On slide 14, you can see an aerial photo of the site from December. I have labeled both Units 2 and 3, as well as many other areas that make up the construction tabletop. As you can see, progress continues to take place on the project.

Slide 15 shows where some of the module fabrication has been moved from CB&I's Lake Charles, Louisiana facility to various other venues in the United States and Japan. Fabrication of the CA-03 sub-modules continues at the SMC facility in Florida. Newport News Industries in Virginia is fabricating and continues to ship shear building panels to the site. Oregon Ironworks and Toshiba IHI Corporation are the principal fabricators for Unit 3's CA-20 and CA-01 sub-modules, respectively.

On slide 16, you can see a picture of the Unit 2 nuclear island. In this picture, you can see module CA-20, along with the containment vessel ring one, which has been placed on the containment vessel lower bowl. The lower bowl is now covered by the auxiliary building walls as they are coming up to what we call elevation 100, which is about 35 feet above the base mat.

Once elevation 100 has been reached, work will begin at the annex building, which will house the electrical switchgear for the plant.

Slide 17 shows a schematic of the module inside the containment vessel. And here you can see the locations of modules CA-01, 02, 03, and 05, which we'll further discuss shortly.

Slide 18 has an exploded view of CA-01 through 05, showing where they fit spatially inside the containment vessel.

Slide 19 shows a recent picture of Unit 2 module CA-01. CA-01 houses the steam generators, the pressurizer, and forms a refueling canal inside the containment vessel.

We currently have all 47 sub-modules on-site, and 34 of those sub-modules are upright and being assembled in the module assembly building, or MAB.

Slide 20 is a shipment from Yokohama, Japan, of the first Unit 3 CA-01 sub-module fabricated by [Koshuba], which should be on-site in early March.

Slide 21 shows pictures of the Unit 2 module CA-05. This module comprises one of the major wall sections within the containment vessel. On the top right, you can see module CA-05 inside of the tent where the final [wells be] prior to placement. On December the 6th, 2014, this module was lifted with the heavy lift derrick, as seen on the left-hand side of the slide, and placed in the containment vessel, as seen on the bottom right-hand side of the slide.

On slide 22, you can see an aerial picture with a good view of the containment vessel rings that are currently being fabricated for Units 2 and 3. As you can see on the bottom right, the Unit 2 containment vessel, ring one, has been placed on top of the containment vessel lower bowl and ring two is complete and will be set after placement of structural module CA-01.

Across the top of the picture, you can see three other containment vessel rings that are in the process of being fabricated for Units 2 and 3. Each unit has a total of three ring sections.

In addition, the steel for the Unit 2 containment vessel top closure head is also on-site.

Slide 23 shows a picture of the Unit 3 nuclear island. Here you can see where the containment vessel lower bowl has been placed and the auxiliary building walls continue to take form.

On slide 24, you can see an aerial picture showing the four low-profile forced-draft cooling tower. Cooling towers 2 Alpha and 3 Alpha are both structurally complete, and you can see the progress continuing on 2 Bravo and 3 Bravo.

On slide 25, you can see one of the two steam generators for Unit 2 that arrived at the construction site in January. The component was transported from the Port of Charleston by rail on a specifically designed Schnabel car. This steam generator weighs approximately 1.3 million pounds. It's about 20 feet in diameter, and it's almost 82 feet long.

Slide 26 shows shear building panels for Unit 2. The shear building surrounds the containment vessel. These panels will be welded together and concrete will be poured inside the panel to create the shear building. On the left you can see one of the panels up close.

On the right, you can see the [lay-down] yard where we have begun receiving the panels. We currently have received 44 of the 167 Unit 2 panels that are provided by Newport News Industries.

I want to also briefly mention the eight-inch explosive or squib valves, which are a key component of the passive safety system of the AP1000 design. They recently passed a series of engineering tests to determine if they will properly operate under extreme conditions such as high pressure and temperature. This is great news for the project, as it prepares the valves for testing to qualify them for submergence.

On slide 27, you will see the new nuclear CapEx actual and projected over the life of construction. This chart also reflects our Company's current actual and estimated new nuclear CapEx during the years 2008 to 2020, which, as Jimmy previously discussed, is updated from what we filed in the latest quarterly BLRA report.

As you can see, the next several years are the peak nuclear construction period. The green line represents the related actual and projected customer rate increases under the BLRA, and is associated with the right-hand axis.

As a reminder, the incremental 5% future acquisition of the new nuclear project from Santee Cooper will not affect these projected BLRA increases.

Please now turn to slide 28. As mentioned in our third-quarter call in September, the Public Service Commission approved a rate increase of \$66.2 million. The new rates were effective for bills rendered on or after October the 30th.

Our BLRA filings for 2015 are shown at the bottom of the slide. And as you can see, we recently filed our quarterly status report for the fourth quarter.

That concludes our prepared remarks. We'll now be glad to respond to any questions you might have.

#### Questions and Answers

Operator: We will now begin the question and answer session. (Operator Instructions) At this time, we will pause momentarily to assemble our roster. Andrew Weisel from Macquarie Capital.

Andrew Weisel: For Steve, if I heard you correctly, you said that you'll be filing with the Commission the updated schedule by the end of the first quarter. Is that in relation to missing the milestone with CA-03 at Unit 2 or is that a function of your expectation that you'll reach a settlement with the Consortium by then or both? Are those potentially two separate filings? What's the strategy around that?

Steve Byrne: Yes. The filings really are to update the cost and the schedule. I do not anticipate, at this point in time, that we will have a settlement with the Consortium when



we file the -- when we update the petition by the end of the quarter. I could be surprised, but I would not anticipate that happening.

Andrew Weisel: Okay. So then what happens if you're in the midst of a review of the already [seen delays], when you reach a settlement? Could that settlement be merged into the same review? Would you have to have a second review?

Steve Byrne: No, I would think that it would be -- everything will depend upon timing. But we will file a petition, we will have some period of time to generate testimony. We'll then have a formal hearing a few months later and then it's six months from the time we file, the Commission has to render their opinion.

So it depends on when it would happen in that process. So obviously, if it were to happen before we went to a hearing, we could amend the filing or the petition.

Andrew Weisel: Got it. Okay. Then my other question was, you mentioned the goal to stay out of rate cases during peak construction. Now that the peak construction is pushed out a few years and goes through 2017, is that still the hope, to avoid a non-nuclear rate increase through 2017?

Jimmy Addison: That remains our goal.

Andrew Weisel: Okay. Great. And one last one. When I look at the CapEx schedule you provide in the slides for new nuclear, I compare that to the appendix two of the BLRA, and they're usually pretty close. This time it seems like the CapEx numbers are more different than normal. Is there anything unusual going on between those two?

Jimmy Addison: Just timing, Andrew. So we've just been pulling this all together very real time. And at the time we filed the BLRA last Friday, we knew that we would end up with different information today that will be fairly similar, we think, to what we file in the update filing Steve mentioned.

But we footnoted that in the BLRA that those items will be changing in the near term. So it's just kind of the timing of everything.

Andrew Weisel: So the numbers in the slides are the more up-to-date ones?

Operator: That's exactly right.

Andrew Weisel: Great. Thanks a lot.

Operator: Jim von Riesemann from Mizuho.

Jim von Riesemann: Quick question for you. In the press release, you talk about the interest savings on the nuclear project. Am I thinking about --

Jimmy Addison: Right.

Jim von Riesenmann: -- this correctly, that you have roughly \$1.2 billion in potential interest rate savings versus the original project cost? So if that stays on plan, and let's assume a worst-case scenario where the \$660 million construction dispute goes against you, the entire thing, so that's a real worst-case basis, does that mean you're still under the original project cost and you're going to wind up -- and the customers are not going to be impacted in any way?

Jimmy Addison: Well, appreciate the question. And this is really the first time we've emphasized those interest savings. So we were really trying to clarify some misunderstanding, some in the financial markets and some in the local area here where folks really weren't understanding the escalation savings.

So we're projecting, as you know, in the BLRA somewhere around \$575 million of lower escalation today than when we originally started the project. And sometimes that had been confused with lower financing costs. That lower escalation is just lower escalation on the actual [labor] and modules, et cetera, associated with the construction. It has nothing to do with the financing cost.

So what we put in the press release is our estimate of the estimated savings over the tenor of the bonds that we have issued and those that we have locked in, the savings that would occur over the life of those. So they're really two different matters.

As far as your real question about would the \$660 million be offset by the \$1.2 billion, I'd say it'd really be offset dollar for dollar by the escalation savings because those are more in today's dollars. The \$1.2 billion are savings to occur over the future of the bonds, some 30-plus years.

Jim von Riesenmann: Got it. Thank you. That's all I had.

Operator: Ashar Khan of Visium.

Ashar Khan: Can you just follow through a couple things on earnings? You had mentioned, Jimmy, in your remarks that deal would be accretive by about \$0.04 by the time you apply the proceeds. So will that have happened by 2016 or 2017?

Jimmy Addison: We project it will have happened by the end of 2016, based upon the current projected equity needs to finance the project. Of course, that's somewhat dependent upon the pace of the project and the construction expenditures. But it will not have happened by the beginning of 2016. We're comfortable it will have happened by the beginning of 2017, more likely sometime during the year.

Ashar Khan: So that means as we look at 2015 to 2017 earnings, there will be like an \$0.08 shift, \$0.01 to \$0.04 dilution going away, and then by 2017 year, a \$0.04 accretion coming. Am I --

Jimmy Addison: Correct.

Ashar Khan: -- thinking through that correctly?

Jimmy Addison: Correct.

Ashar Khan: Okay. Secondly, you had mentioned that the new schedule that you have presented, right, the schedule under which the new CapEx in the forecast, under this schedule, the rate at -- unit number one comes online towards the end of 2019, and unit number two, 12 months later. That is the basis of the projections you are providing us today. Is that correct?

Steve Byrne: Ashar, I think what we said was that the projection from the Consortium that's constructing the plant is that the first unit, Unit 2 will come online about 2019. So we got a June 2019 date on that.

Ashar Khan: Right.

Steve Byrne: Still working on mitigation strategies to try to pull that forward.

Ashar Khan: Yes. But what you have given us today in the slides assumes the mid-June of 2019. Is that correct, what we have in front of us today?

Jimmy Addison: Yes. Steve was just clarifying. In your question, you said the end of 2019. He's just clarifying mid-2019.

Ashar Khan: Mid-2019, okay. And can you just, Steve, I just kind of get mixed up. So this new schedule which you're presenting, how much extra cost does this have versus what was in the previous presentation?

Steve Byrne: There isn't any increased cost over what we presented previously. Now, remember, we presented a range previously and we said, first half of 2019 was the tail end of the range. So we're quoting numbers now that are at the tail end of that range that we quoted last time.

But the numbers that we quoted before that the Consortium is asking for, and I think we gave our 55% share of that at about \$660 million, that number is not changed. Also remember though, that does not include owners' costs or escalation. That was referencing 2007 dollars.

Ashar Khan: And so those increased costs are not part of these projections yet? Or are they?

Steve Byrne: Yes, what the Consortium feels like they're entitled to are not baked into the numbers. So if you take the \$660 million --

Ashar Khan: Okay.

Steve Byrne: -- we may have taken some portion of that and included them in the projections, but certainly not all of them.

Ashar Khan: Okay. So you have taken your own rough as to what you're responsible for, and you've concluded that. And the remaining you have left open, which you think are not responsible for in these numbers?

Steve Byrne: That's fair, yes.

Ashar Khan: Okay. And that is the forecast that you're going to present to the Commission in about five weeks time?

Steve Byrne: Yes. By the end of the quarter, we'll present to the Commission. We haven't nailed down exactly what we're going to present to the Commission yet. So I wouldn't say that what you're seeing in these projections is exactly what we're going to present to the Commission.

Ashar Khan: Okay. That's fair enough. And then, if I can just kind of like end up with is that when, is it by the middle of the year or is it towards the second half of the year that we can expect some kind of a settlement, the timing?

Steve Byrne: Yes. Ashar, I would love to be able to tell you that. But things are going slow. The good news is that we're still talking. We're still going back and forth, but they are going a lot slower than I would have anticipated. So I'm a little leery to forecast that it would happen by the end of a certain quarter right now.

Ashar Khan: Okay. Thank you so much.

Operator: Michael Weinstein of UBS.

Michael Weinstein: Couple of questions. Southern recently gave their estimate of owners' costs, including financing costs on a monthly basis. I'm just wondering if there's any chance that you guys might provide that as well.

Jimmy Addison: You're looking for -- they quoted, I think two things. One of them was burn rate for owners' costs and another one was for financing costs. On the owners' costs, I think you can assume we're very similar to them. The financing costs, however, their structure in Georgia, their contract, the way they finance is a little different than the way we're financing. So I don't think you can make the assumption on financing costs.

But on the owners' cost, the burn rate that they quoted, you could use roughly the same numbers for us.

Michael Weinstein: All right. Thank you. And also, on a separate topic, the South Carolina Distributed Energy Resource Program, is there any opportunity for you guys to participate in solar build, regulated solar build in South Carolina?

Jimmy Addison: Yes, there maybe some opportunity. That's all being sorted out now. There's some process in front of the Commission at this time. So there may be some opportunity in there, but it's really -- that's limited.

The whole legislation is aimed for South Carolina, as a state, to get some good experience with renewables, not just solar, but with renewables in general. And the goal is for -- or the requirement, really, is for 2% to be -- 2% of our generation to be in distributed, 1% in utility, 1% in customer scale by 2020. So, and we think those are a challenge to get done, but we think we will get them done.

But there may be a small opportunity for us to participate in it. I expect there will be, but I don't think it will be material to our financial results.

Michael Weinstein: Okay. All right. Thank you so much.

Operator: Travis Miller of Morningstar.

Travis Miller: Question back on this filing that you're talking about in here by the end of the quarter and the timeline elements. The cost thing I can understand, you want recovery, et cetera.

The timeline thing, is this more of a notification to the Commission that the timeline is different than originally approved? Or is there some implication here in terms of regulators looking at that timeline, it's outside of what was originally approved and, therefore, something happens? And I would think worst case, something like a per-day fine or something like that.

Does the schedule part of it being outside of that original approved bands, have any implications?

Steve Byrne: Well, this is Steve. The implications are we have to go through a formal hearing process, which is what the application that we would file by the end of the quarter kicks off. So in between then and six months later when an order has to be issued, we'll have a hearing.

In that hearing, we'll have our opportunity to explain what happened with Public Service Commission. It would have to really be imprudent before they would deny it and impudency on the part of us, the utility, which I think would be very difficult for anybody to prove.

We have done this once before, so we've asked for a re-baseline of our schedule [once] in the past, and that was approved by the Public Service Commission by a 7-0 vote.

Travis Miller: Okay. So if they did rule impudency based on the schedule delays, then that would go into the cost side and potential recovery or not recovery. Is that fair to think about, like a gating factor, so to speak?

Steve Byrne: I'm not sure it would be a gating factor. I'm not sure exactly what they might do with it. I don't think it would be fair to assume they would just say no.

But it is a hearing process and we will have to make our case for why the schedule extension is reasonable, which, certainly, we think we can make. But we'll be asking for what we pointed out today, so those new schedules.

So this is our opportunity to explain that to the Commission, because we're not allowed to have conversation with them outside of the formal hearing or an ex parte briefing process.

Jimmy Addison: Travis, let me just add that, I guess this is obvious to everyone, but what we'll be presenting is the future, not what's occurred behind us. So this is about permission, not about asking for forgiveness.

Travis Miller: It's a good way to put it, yes. Thank you very much. It was very helpful.

Operator: Paul Patterson of Glenrock Associates.

Paul Patterson: Most of my questions have been answered. But just to refresh, you were talking to Ashar about this. The accretion associated with the asset sale, you can have a negative \$0.04 now, and then you're going to have that reversed, and then you're going to have an accretion of \$0.04. Is that correct?

Jimmy Addison: That's correct. And maybe I could just summarize another way. One strategy we could have deployed is to take all the cash, go out and buy back shares today. And if that had happened, we would project the earnings for 2015, would have been \$0.08 higher, not \$0.04 lower, but we would have been back to the \$3.74, plus \$0.04 because of the accretion.

We didn't think that strategy made a lot of sense, given the valuation of the industry sector, given prices of stock today, to go out and buy shares today and then go sell shares again 12, 18 months later. But just to try to clear that up, I thought I'd walk through that.

Paul Patterson: Okay. Thanks. And then on top of that, just an aside, the sales growth you guys are projecting is negative 0.6% on a weather-adjusted basis. Is that correct --

Jimmy Addison: Yes.

Paul Patterson: -- for this year? And now, are you talking about the similar customer growth that you guys had in the past? Is that right?

Jimmy Addison: Yes.

Paul Patterson: Okay. And then going forward, I mean, I know it's a crystal ball kind of question like a lot of these are. But what do you think longer term, what do you think the state of growth would be, sales growth for you guys?

Jimmy Addison: Yes. That's really addressed in our IRP. And we expect something just over 1.5% net. So a gross would be closer to maybe 1.8% or 2%, less energy efficiency and demand-side management, will be something around 1.6%, 1.5%.

We'll be filing another update to that in a few weeks, but we don't expect a significant change on our net basis from what we filed last year.

Paul Patterson: That's a pretty significant change on a weather-adjusted basis. Is that --

Jimmy Addison: It is.

Paul Patterson: Okay.

Jimmy Addison: It is. And a lot of that's really being driven by industrials, number one, and, number two, by these energy efficiency standards really working themselves through the pipeline over the next two to three years.

So we feel like that's been going on for two or three years historically, and will occur another two or three years. So the view I just gave you, on the longer term, is a 15-year view.

Paul Patterson: I got to. So we probably are going to have, for the next three to five years -- or two to three years not much -- it's probably going to be pretty anemic growth, I guess, right, outside of industrial, perhaps?

Jimmy Addison: Exactly.

Paul Patterson: Okay.

Jimmy Addison: Especially residential and commercial.

Paul Patterson: Thanks so much.

Operator: Jonathan Reeder of Wells Fargo.

Jonathan Reeder: Just want to make sure, going back to Ashar that I fully understand what's in the 2015 to 2017 new nuclear CapEx forecast.

So that reflects mid-2019 and mid-2020 online dates and, perhaps, some sort additional cost responsibility of that \$660 million amount that you previously cited. Is that correct?

Jimmy Addison: Well, on the dates portion, yes. On the \$660 million, most of what is in here incrementally relates to our owners' cost, that roughly \$10 million a month or so that Steve discussed earlier, as well as some escalation on that owners' cost, as well some minority of the \$660 million that we feel like is fairly clear cut that the Consortium would be entitled to. But the majority of the \$660 million is not in these revised numbers.

Jonathan Reeder: Okay. And then because you're now assuming that June kind of -- or mid-2019 date, is that why you kind of tweaked the language a little bit in the BLRA filing, saying about the June, or should we be thinking it's any less likely that you could potentially mitigate some of that schedule delay at this point?

Jimmy Addison: I think we're being fairly realistic. There are some things that we can yet do to accelerate deliveries of modules that we are going to do and we bake that into what we're assuming would be additional cost for us. So that's already in those numbers.

Some of what you see is a spreading for a couple more periods or a couple more years to reflect these new June and June substantial completion dates or completion dates. Again, we haven't accepted them yet. The Consortium is still working to try to improve those. So we're going to exhaust every effort to try to improve those dates. But what we intend to go forward with is the June, the June dates.

Jonathan Reeder: Okay. It's fine just going forward with that, it will just give you more flexibility in terms of moving forward with the project. Is that the way to kind of think about it?

Jimmy Addison: Correct.

Jonathan Reeder: Okay. And then last question. Steve, if you could go into a little bit of detail, like what was going on at the SMCI facility in Florida? Are there issues down there that I guess you felt the need to put a person on the ground monitoring it?

Steve Byrne: Yes, we think we've seen some benefit from putting somebody on the ground at the Lake Charles facility. And so we wanted to do it a little earlier at the other facilities. So we have put somebody at the SMCI facility, but we're also putting people at other facilities.

So we either have done or will shortly have somebody at the N&I facility in Virginia and we either have done or will shortly have somebody at the Oregon Ironworks facility out in Oregon, in Portland.



So we just think that's an important part of oversight going forward so we don't repeat the mistakes that were made at Lake Charles. And so that kind of thing does add to owners' cost. So when we say we're adding costs, those costs are in what we're forecasting going forward as well and we'll ask for from the Commission by the end of the quarter.

Jonathan Reeder: Okay. So it's just kind of what you see as a best-practice-type thing and we shouldn't necessarily be concerned that, I guess there's something going wrong down there right now that could be a potential hurdle down the road?

Jimmy Addison: I'll view the putting the residents in place is really a -- it's prudent for us.

Jonathan Reeder: Okay. Thanks.

Operator: Andy Levi from Avon Capital Advisors.

Andy Levi: Just a few questions on the nuke side. Just on the \$660 million, that's in 2007 dollars, is that what you're saying? I know you said that before, but I just want to make sure that's --

Steve Byrne: Yes, the \$660 million that we got from the Consortium was all referenced in 2007 dollars, because that's when our contract was referenced in.

Andy Levi: So is there a way to kind of figure out what the real number is?

Steve Byrne: Well that's the way they gave us the number. So you'd just have to escalate it from there to get to a present-day number. But we haven't done that yet and we haven't reported on that yet.

Andy Levi: Okay. And then, what's the mechanism to fight or recover these costs, I guess, unrelated to the BLRA? So if you don't want the ratepayers to pay for it, how do you get the money?

Steve Byrne: Well, the first thing we could do is --

Andy Levi: Or not pay the money or how does it work?

Steve Byrne: Yes. So the best way to get the money back is not to pay it in the first place. So the contract has in it dispute resolution provisions. But we're trying to negotiate outside of that right now. And if that were to fail, then contract provisions would kick in.

But it's, basically, it's mediation, arbitration, then litigation. And so our last guess will be to get to litigation. Not saying we won't get there. But we're going to try and negotiate first.

Andy Levi: And then if you do go the litigation route, if it ends up getting that far, you would withhold paying at some point or a portion? Or do you have like certain thresholds that you need to kind of pay as you go?

Steve Byrne: There are contractually some thresholds that we would have to pay for disputed costs. And then there's other category of things that we just don't think there's any entitlement to, which we would obviously want to withhold.

Andy Levi: Withhold, okay. And that would be to the Consortiums, whether it's Westinghouse, CVI, or Toshiba, that's who we're talking about? Or is it only to a certain entity?

Steve Byrne: No, we get billed by the Consortium and we pay the Consortium. So they act as an entity, one entity.

Andy Levi: Got it. Okay. Thank you very, very much.

Operator: (Operator Instructions) Michael Lapidès from Goldman Sachs.

Michael Lapidès: Just want to make sure I understood one thing. I got a little bit confused when the discussion came about you including or not including part of the \$660 million.

The thing I want to make sure is, is the number, the total number in the CapEx slide that you're showing today, is that a bigger number than what you showed in the prior quarter slide or is the exact same number?

Jimmy Addison: Well, I think what you're looking at is a three-year look at CapEx. And if you look at the three-year period, the numbers are very close. They're different though in every year, so we've moved the costs around. And what you don't see in the three-year look is the expansion out for a couple more years.

So now, instead of running through 2018 or 2019, we're now running through 2020. So in the three-year look, you don't necessarily see that.

So what we've included in the capital forecast going forward would be where we see the normal construction process and our payments based on the Consortium achieving milestones, and we've added what we're estimating for increases in owners' costs and change orders that we would not dispute.

There are some things like cyber security. Cyber security rules were not around when the contract was negotiated. They've changed, so we have to account for that. So we wouldn't necessarily dispute the fact that we have to pay for cyber.

And so that would be an example of a change order that we will include in the filing we've got coming up. So to the extent that those costs will be in those next three years, that's in what you're seeing.

And we've included a number for escalation on our owners' costs, and we have taken what we would call a minimal amount of entitlement. So of that \$660 million, there's a portion of that, that we said, yes, we probably would not dispute that. So we've included that in the costs. But not to bias my negotiating position, I'm not going to say exactly what that is.

Michael Lapidès: Got it. Right. But if I look at the slide at the end of the presentation where it has the full cycle of CapEx through completion, in that slide, the number is a number that you've showed in the prior -- and it's just in the out years where that changed?

Jimmy Addison: That's right, Michael.

Michael Lapidès: Okay. When you file at the Commission, if you don't have a settlement with CBI and Westinghouse, what is it you're exactly filing? Are you just filing for an extension based on the new schedule or are you filing for some other type of waiver or approval?

Jimmy Addison: No. We're going to file based on a schedule that reflects the June of 2019 and June of 2020 dates. And then we will also file for additional capital cost based on what we know.

Michael Lapidès: Okay. And right now, do have a full, from the vendors or from the Consortium, integrated project schedule that takes you through completion?

Steve Byrne: Yes, I've got a schedule that takes them through completion, yes.

Michael Lapidès: Got it. Okay. And that date is the June 2019? They've given you a full IPF, and now it's a question of what can be mitigated off of the IPF?

Steve Byrne: That's correct.

Michael Lapidès: Okay. Thank you, guys. Much appreciate it.

Operator: (Operator Instructions) Andy Levi from Avon Capital Advisors with a follow-up.

Andy Levi: I apologize. I should have asked these questions to begin with. Just kind of compare notes like from Southern Company and all that, just to understand, the way their contract's written, again, this is me talking, not them talking, and just also understanding speaking to Westinghouse and to CBI, that if the delay is a regulatory delay, meaning it's

caused by the NRC, theoretically, the plant owner is the one who pays for it in Southern's case. Is that also the case with you guys?

Steve Byrne: Yes. And our contract has traditional change order-type language. So a force majeure event would trigger change orders. Certainly, if it was a change in the regulation, then they would be entitled to a change order.

And a good example of that would be cyber security. The regulation changed, so we've amended the contract to account for that, and it will cost us a little bit more for cyber security.

Where we would, perhaps, differ with the Consortium is their interpretation of what's called a regulatory-driven change. And we would not accept that that's a change in the regulation. So we are at odds over that topic.

Andy Levi: Okay. So, but I guess I'm just talking about whether the issues at Lake Charles, again, it's a matter of opinion or whatever the delay is, if it's a delay that, in their eyes, was caused by the NRC, theoretically, in their eyes, you would be on the hook for that? Again, you may dispute that and be very correct in disputing that. But that's kind of how it works, right?

Steve Byrne: That's correct.

Andy Levi: Okay. And then Kevin talked about liquidated damages and that they'd be kind of looking to recover those. Is that kind of your position as well?

Jimmy Addison: Yes.

Steve Byrne: Yes, our contract has in it liquidated damage provisions. And I think whenever we've done releases or BLRAs and we've talked about numbers, we've pointed out that those are not yet net of liquidated damages.

Andy Levi: Got it. And you haven't put a number on those liquidated damages, right?

Steve Byrne: We haven't, no.

Andy Levi: Okay. And then a non-nuclear question I have, and this is for Jimmy. Just on your guidance that you gave, what's the midpoint -- or what's the sales growth assumption there to get to the midpoint of your CAGR?

Jimmy Addison: So of customers or retail load, retail sales?

Andy Levi: Retail. Retail sales.

Jimmy Addison: Yes, it's actually negative 0.6%.

Andy Levi: Okay. Got it. Thank you very much, guys.

Operator: Follow-up from Ashar Khan from Visium.

Ashar Khan: Jimmy, could you just -- this is something new, which I guess Street hasn't focused on. So could you just outline the savings, cost escalation savings that you mentioned in the beginning? What did they arise from? And I forget now, which dollar numbers are they and which year's numbers are they? Are they present days numbers or are they -- could you just explain to me again those savings, escalation savings that have occurred over the period of time? Could you?

Jimmy Addison: Yes. So to make sure I don't further confuse this, let me go back. So what we've been presenting in each BLRA would be the total projected cost each time we filed the report each quarter for our 55% share. And we originally, of course, were approved for \$6.3 billion in total future estimated cost. And our current projections are just over a \$0.5 billion dollars less than that, about \$575 million less.

All of those reports, to date, have been focused on the lower escalation. If you will, the lower inflation during the construction period that the Consortium was entitled to bill us for based upon publicly available inflation indices associated with the construction.

What we put in our press release today has nothing to do with that. That is the financing cost. Once the Consortium bills us, with whatever the escalation is, how do we go out and finance it on the debt side?

So the equity side's fairly straightforward, 50% of it we finance at equity through the BLRA and 11% ROE. The 50% that we finance with debt, we're doing with first mortgage bonds. We had originally estimated in our BLRA filing, based upon our embedded cost of debt at the time, a debt cost of about 6.4%, whereas, overall, we issued bonds at slightly under 5% life to date on the project. And all of those are fixed rate bonds.

And so what we've disclosed is we estimate that the savings on those over the life of the bonds will be \$700 million, about \$20 million a year. And then, additional bonds that we expect to issue in the next two years that we've already hedged the rate on, we estimate to save another, \$525 million on those over the life of those bonds.

So that's the \$1.225 billion in interest savings that we expect to occur over the life of those bonds that are outstanding, completely independent of the escalation to lower inflation on the construction itself.

Ashar Khan: So if I understand correctly, the project currently, from the date started, is coming in, in current dollars, 500 or 75 or whatever the number is, below projected cost, as we stand today?

Jimmy Addison: Right.

Ashar Khan: And so we created, because of lower inflation or management or whatever, a cushion of \$575 million from the initial estimate that we gave to the Commission. And that is in the pocket. I guess the ratepayers of South Carolina are going to benefit from that, which has already occurred.

And now comes, I guess the next step is what is the additional cost which has to be, of course, settled or -- with the Consortium -- which would bear on the project from that lower estimated cost that we are currently on?

Jimmy Addison: Well, that's almost --

Ashar Khan: In essence, we could come out pretty close to or slightly above the original cost that we started off with.

Jimmy Addison: We could. One minor clarification on what you just said. The \$500 million or so that we're projecting to be below at this point, some of that has already occurred. Some of it is what we project to happen between now and the completion of the project. So not all of that has occurred yet with that lower escalation.

Escalation could be even lower in the future, it could be higher in the future. So that could change between now and the completion.

Ashar Khan: Okay. That's further great news. So how much, can you tell me, how much of that is banked and how much is not banked?

Jimmy Addison: I don't have that at my fingertips, Ashar, but I think it's available in our public filing. And I'll have IR follow up with you, assuming it is.

Ashar Khan: Okay. And second, if I can end up, Jimmy, now, based on the spending being moved a little bit further out and reducing the equity needs and, of course, now you have lowered the base and all that, when can you be in a situation, and you've been growing more on the, kind of in the higher portion of the growth rate, when can you be in a situation of moving the growth rate upwards?

Jimmy Addison: I don't know the answer to that question, if that will occur or when it will occur. We continually evaluate our look. And I would say that, really, the wildcard in that is the whole issue we discussed with two or three Q&As today around base electricity consumption.

So if it were just a matter of modeling in the BLRA, it would be fairly simple to answer that question. You could kind of model it after the peak construction years.

But when the foundation of the business is changing somewhat, even though it's only six-tenths of a percent negative, when you've got 700,000 customers you're projecting to use slightly less, that makes it difficult to answer your question.

So we update it best of our experience each year. And at this point, we still feel like it's our best estimate.

Ashar Khan: Okay. Thank you so much.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Jimmy Addison, SCANA's Chief Financial Officer, for any closing remarks.

Jimmy Addison: Well, thank you. 2014 was certainly a very unusual year relative to weather. But aside from the weather, we're very pleased with our underlying economic growth, the operation of our businesses, and the refinement of our focus around our core retail businesses. Accordingly, we are really optimistic about our future.

And finally, I'll mention that Steve and I will be on the road the first week of March in New York and Boston at investor conferences, and we hope to see many of you there.

Thank you for joining us today and for your interest in SCANA.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

235677

STATE OF SOUTH CAROLINA

Petition of South Carolina Electric & Gas Company for  
Updates and Revisions to Schedules Related to the  
Construction of a Nuclear Base Load Generation Facility  
at Jenkinsville, South Carolina

BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF SOUTH CAROLINA

COVER SHEET

DOCKET

NUMBER: 2015 103 - E

(Please type or print)

Submitted by: K. Chad Burgess

SC Bar Number: 69456

Address: SCANA Corp.  
220 Operation Way MC C222  
Cayce, SC 29033

Telephone: 803-217-8141

Fax: 803-217-7810

Other: \_\_\_\_\_

Email: chad.burgess@scana.com

NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously

☐ Other: \_\_\_\_\_

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)			
<input checked="" type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request	
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification	
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation	
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement	
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input checked="" type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment	
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter	
<input type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response	
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery	
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition	
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation	
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena	
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff	
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other:	
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest		
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit		





K. Chad Burgess  
Associate General Counsel

[chad.burgess@scana.com](mailto:chad.burgess@scana.com)

March 12, 2015

**VIA HAND DELIVERY ONLY**

The Honorable Jocelyn G. Boyd  
Chief Clerk/Administrator  
**Public Service Commission of South Carolina**  
101 Executive Center Drive  
Columbia, South Carolina 29210

RE: Petition of South Carolina Electric & Gas Company for Updates and Revisions to Schedules Related to the Construction of a Nuclear Base Load Generation Facility at Jenkinsville, South Carolina  
Docket No. 2015-\_\_\_-E

Dear Ms. Boyd:

Pursuant to S.C. Code Ann § 58-33-270(E) (Supp. 2014) South Carolina Electric & Gas Company ("SCE&G" or "Company") petitions the Public Service Commission of South Carolina (the "Commission") for an order approving an updated construction schedule and updated capital cost schedule for the construction of two 1,117 net megawatt nuclear units (the "Units") to be located at the V.C. Summer Nuclear Station near Jenkinsville, South Carolina. SCE&G is also petitioning the Commission to enter a confidentiality order protecting certain commercially sensitive information from disclosure, as set forth below.

For the convenience of the Commission and parties, SCE&G is also providing with this filing a draft Notice of Hearing and Prefile Testimony Deadlines ("Notice") for publication in newspapers of general circulation in its service territory and for communication to its electric customers. SCE&G would propose to provide the Notice directly to electric customers by way of inserts into their regular electric bills. Because of cycle billing and other considerations, doing so will require a return date for such Notice not earlier than May 11, 2015.

Also for the convenience of the Commission and within its proposed Notice, SCE&G is providing for consideration a proposed schedule for the pre-filing of testimony and hearing date in this proceeding. This schedule takes into account the statutory deadline for an order in this matter and the customary sequencing of due dates in such proceedings.

As part of its petition, SCE&G is filing as an exhibit a redacted and unredacted copy of its updated capital cost schedule. Therefore, SCE&G is filing both a Public Version and a Confidential Version of its Petition. In both versions, the Company's updated capital cost schedule is designated as Exhibit 2. The Confidential Version of Exhibit 2 of the filing contains confidential information related to the pricing and pricing terms of the Engineering, Procurement and Construction Agreement ("EPC Contract") between SCE&G and a consortium consisting of

(Continued . . . )

The Honorable Jocelyn G. Boyd

March 12, 2015

Page 2

---

Westinghouse Electric Company, LLC and Chicago Bridge and Iron (collectively, "Contractor"). The EPC Contract contains confidentiality provisions that require SCE&G to protect proprietary information that the Contractor believes to constitute trade secrets and to be commercially sensitive. The Contractor has requested that SCE&G maintain the confidentiality of certain information contained in Exhibit 2. It is this confidential information that has been redacted from the Public Version of Exhibit 2.

In keeping with the Contractor's request and the terms of the EPC contract, SCE&G respectfully requests that the Commission find that the Confidential Version of the Petition contains protected information and issue a protective order barring the disclosure of Exhibit 2 of the Petition under the Freedom of Information Act, S.C. Code Ann. §§ 30-4-10 *et seq.*, 10 S.C. Code Ann. Regs. 103-804(S)(1), or any other provision of law, except in its public form. Pursuant to 10 S.C. Code Ann. Regs. 103-804(S)(2), the determination of whether a document may be exempt from disclosure is within the Commission's discretion. Such a ruling in this instance would be consistent with the Commission's prior rulings in Docket No. 2008-196-E, Docket No. 2009-293-E, Docket No. 2010-376-E, and Docket No. 2012-203-E finding, among other things, the pricing and pricing terms of the EPC Contract to be confidential and issuing a protective order barring the disclosure of related information.

To this end, and in accordance with Commission Order No. 2005-226, dated May 6, 2005, in Docket No. 2005-83-A, we enclose with this letter a redacted version of Exhibit 2 that protects from disclosure the sensitive, proprietary and commercially valuable information, while making available for public viewing non-protected information. We also enclose a copy of the unredacted version of Exhibit 2 in a separate, sealed envelope and respectfully request that, in the event that anyone should seek disclosure of this unredacted version of Exhibit 2, the Commission notify SCE&G of such request and provide it with an opportunity to obtain an order from this Commission or a court of competent jurisdiction protecting Exhibit 2 from disclosure.

Enclosed are the following:

- (1) A true and correct copy of the Confidential Version of the Petition in a sealed envelope marked "CONFIDENTIAL." Each confidential page of the Confidential Version of the Petition is also marked "CONFIDENTIAL."
- (2) Ten (10) copies of a redacted copy of the Petition for filing and public disclosure.

By copy of this letter, we are providing the South Carolina Office of Regulatory Staff ("ORS") with a redacted copy of the Petition for its records. Additionally, SCE&G will make the unredacted copy of the Petition available to ORS for its review.

(Continued . . .)

The Honorable Jocelyn G. Boyd  
March 12, 2015  
Page 3

---

Thank you for your assistance and consideration of this matter. If you have any questions, please do not hesitate to contact us.

Very truly yours,



K. Chad Burgess

KCB/kms  
Enclosures

cc: C. Dukes Scott  
Nanette S. Edwards  
John W. Flitter  
M. Anthony James  
Jeffrey M. Nelson, Esquire  
(all via hand delivery and electronic mail)

## PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

## CLERK'S OFFICE

NOTICE OF HEARING AND PREFILE TESTIMONY DEADLINES

DOCKET NO. 2015-\_\_-E

**SOUTH CAROLINA ELECTRIC & GAS COMPANY – PETITION OF SOUTH CAROLINA ELECTRIC & GAS COMPANY FOR UPDATES AND REVISIONS TO SCHEDULES RELATED TO THE CONSTRUCTION OF A NUCLEAR BASE LOAD GENERATION FACILITY AT JENKINSVILLE, SOUTH CAROLINA**

In Order No. 2009-104(A), dated March 2, 2009, the Public Service Commission of South Carolina ("Commission") authorized South Carolina Electric & Gas Company ("SCE&G" or "Company") to construct and operate two 1,117 net megawatt nuclear facilities ("Units") to be located at the Virgil C. Summer Nuclear Station site near Jenkinsville, South Carolina. In accordance with the Base Load Review Act, S.C. Code Ann. § 58-33-210 *et seq.*, in Order No. 2009-104(A), the Commission approved an estimated capital cost for the Units of \$4.5 billion in 2007 dollars. In Order No. 2010-12, in Docket No. 2009-293-E, the Commission approved SCE&G's request to, among other things, approve an updated schedule of capital costs for the project. The updated capital cost schedule did not alter the total estimated capital cost for the Units of \$4.5 billion in 2007 dollars but changed the forecasted timing of cash flows.

In Order No. 2011-345, the Commission approved an updated capital cost schedule for the Units which also removed all projected contingency costs as required by the decision of the South Carolina Supreme Court in South Carolina Energy Users Comm. v. South Carolina Pub. Serv. Comm'n, 388 S.C. 486, 697 S.E.2d 587 (2010). In Order No. 2012-884, the Commission approved an estimated capital cost for the Units of \$4.5 billion in 2007 dollars and a new milestone schedule reflecting substantial completion dates for Units 2 and 3 of March 15, 2017, and May 15, 2018, respectively. The South Carolina Supreme Court affirmed the Commission's ruling in all respects. South Carolina Energy Users Comm. v. South Carolina Elec. & Gas, 410 S.C. 348, 764 S.E.2d 913 (2014).

On March 12, 2015, SCE&G filed a petition with the Commission, pursuant to S.C. Code Ann. § 58-33-270(E), seeking an order approving an updated construction schedule and capital cost schedule for the Units. The updated construction schedule reflects new substantial completion dates for Unit 2s and 3 of June 19, 2019, and June 16, 2020, respectively. It also incorporates in the construction cost schedules approximately \$698 million in additional capital costs that have been identified since the issuance of Order No. 2012-884. The petition indicates that these additional costs are due to a number of factors including the delay in the substantial completion dates of the Units, and the additional labor and other costs required to construct the Units and prepare for their operation. The elements of cost are set forth in more detail in the petition.

The capital cost estimate for which the Company seeks Commission approval in this proceeding is currently \$5.2 billion in 2007 dollars. In its filing, the Company states that it may seek to update its capital cost estimates during the pendency of these proceedings if additional cost items are identified or if cash flow schedules are updated.

S.C. Code Ann. § 58-33-270(E) authorizes SCE&G to petition the Commission for modification of any of the schedules related to the construction of a base load generation facility. This statute provides that such requests shall be granted if, after a hearing, the Commission finds that the changes are not the result of

imprudence on the part of the SCE&G. In the petition, the Company states that the changes to the schedules are not the result of any imprudence by the Company in managing or overseeing the project.

A copy of the Company's filing may be obtained from the Commission at the address below. Additionally, the filing is available on the Commission's website at [www.psc.sc.gov](http://www.psc.sc.gov) and is available from the corporate office of South Carolina Electric & Gas Company at 220 Operation Way, Mail Code C222, Cayce, South Carolina, 29033.

In order for testimony and evidence to be received from all interested parties, a public hearing will be held in the Commission's Hearing Room, Saluda Building, Synergy Business Park, 101 Executive Center Drive, Columbia, South Carolina 29211 on **Monday, June 29, 2015, at 10:30 am.**

Any person who wishes to participate in this matter as a party of record should file a Petition to Intervene in accordance with the Commission's Rules of Practice and Procedure on or before **May 18, 2015**, and indicate the amount of time required for his presentation. Please include an email address for receipt of future Commission correspondence in the Petition to Intervene. *Please refer to Docket No. 2015-\_\_-E and mail a copy to all other parties in this docket.*

Any person who wishes to testify and present evidence at the hearing should notify the Clerk's Office, in writing, at the address below; the South Carolina Office of Regulatory Staff, 1401 Main Street, Suite 900, Columbia, South Carolina 29201; and K. Chad Burgess, Associate General Counsel, South Carolina Electric & Gas Company, 220 Operation Way, Mail Code C222, Cayce, South Carolina 29033, on or before **May 18, 2015**, and indicate the amount of time required for their presentation. *Please refer to Docket No. 2015-\_\_-E.*

Any person who wishes to be notified of the hearing, but does not wish to present testimony or be a party of record, may do so by notifying the Clerk's Office, in writing, at the address below on or before **May 18, 2015**. *Please refer to Docket No. 2015-\_\_-E.*

**PLEASE TAKE NOTICE:** Any person who wishes to have his or her comments considered as part of the official record of the proceeding **MUST** present such comments, in person, to the Commission during the hearing.

**INSTRUCTIONS TO ALL PARTIES OF RECORD (Applicants, Petitioners, and Intervenor only):** All Parties of Record must prefile testimony with the Commission and with all Parties of Record. Prefiled Testimony Deadlines: Applicant's **Direct Testimony** Due: **5/13/2015**; Other Parties of Record **Direct Testimony** Due: **6/8/2015**; Applicant's **Rebuttal Testimony** Due: **6/19/2015**; and Other Parties of Record **Surrebuttal Testimony** Due: **6/25/2015**. All prefiled testimony deadlines are subject to the information as posted on [www.psc.sc.gov](http://www.psc.sc.gov) under **Docket No. 2015-\_\_-E**.

Persons seeking information about the Commission's Rules of Practice and Procedure should contact the Commission in Columbia at 803-896-5100 or visit its website at [www.psc.sc.gov](http://www.psc.sc.gov).

Public Service Commission of South Carolina  
Attn: Clerk's Office  
Post Office Drawer 11649  
Columbia, SC 29211

**Crosby, Michael**

---

**From:** Crosby, Michael  
**Sent:** Monday, April 06, 2015 4:30 PM  
**To:** sbyrne@scana.com  
**Cc:** 'ARCHIE, JEFFREY B'; Cherry Marion; Cherry, Marion  
**Subject:** VCS - NND - Target Cost  
**Attachments:** 2015 04 06 - EPCA Target Cost & Pct Comp DCL Charts.pptx

Steve,

As you know, Marion worked with Business and Finance to produce the following charts that were discussed in the Executive Steering Committee meeting on Mar 6:

1. Direct Craft Productivity (EPC basis 1.0 ... EAC basis going forward 1.15)
2. Indirect to Direct Craft Labor Ratio (EPC basis 0.38 ... EAC basis going forward 0.39)
3. Field Non-Manual to Direct Craft Labor Ratio (EPC basis 0.51 ... EAC basis going forward 0.53)
4. Percent Complete – Direct Craft Work

\*\*\*\*\*  
As follow-on to this effort a ... **Total Target Cost chart** ... has been added to the package (see last slide in attached file).

The new chart is a good visual aid which projects the (end-view) total target cost impact of the Consortium's poor management of productivity and labor ratios.

In the top left corner of the new chart ... a table is provided which summarizes the key inputs that generate the total target cost curves.

The top row of the table (highlighted yellow) ... is an average of the actual numbers recorded on the project over the 5 month period (Sep 2014 – Jan 2015). A total target cost curve for this data is not shown on the graph because it would be off the chart.

As you recall upon receiving the EAC (August 2014), the Consortium promised to self-correct and drive productivity and the labor ratios back (closer) to the EPC basis.

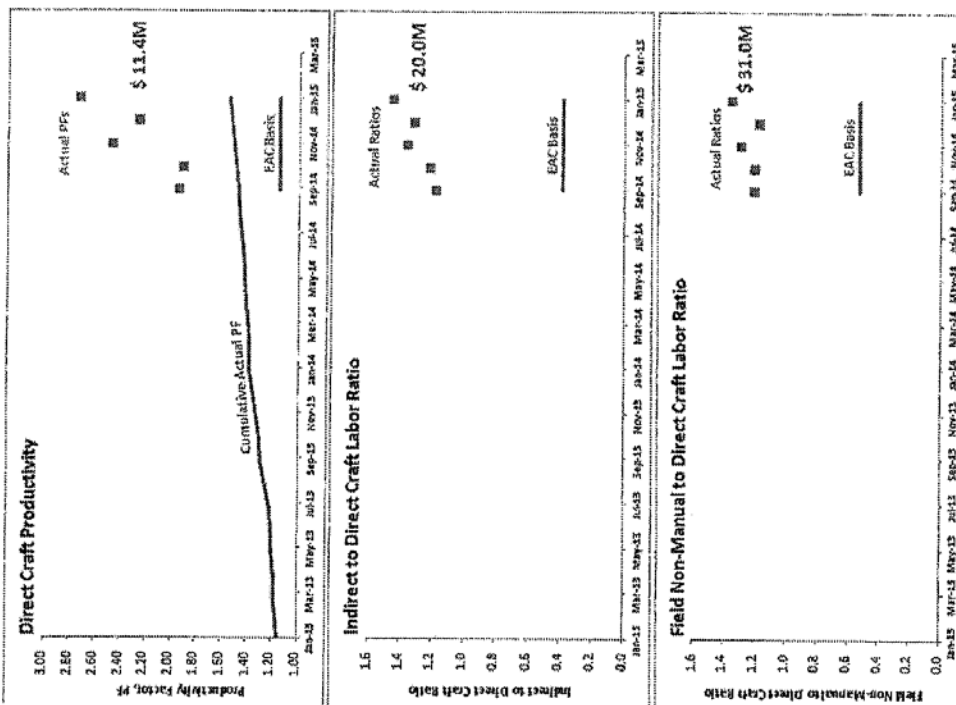
Scenario 1 and 2 (curves) ... demonstrate how improvements to productivity factor and labor ratios drive the curves down ... but still result in cumulative target costs that are significantly over budget.

Both the EAC and Entitlement curves ... demonstrate that to achieve the target costs projected by the EAC ... the Consortium must perform in accordance with numbers that closely track the contract basis.

Additional details on the new chart:

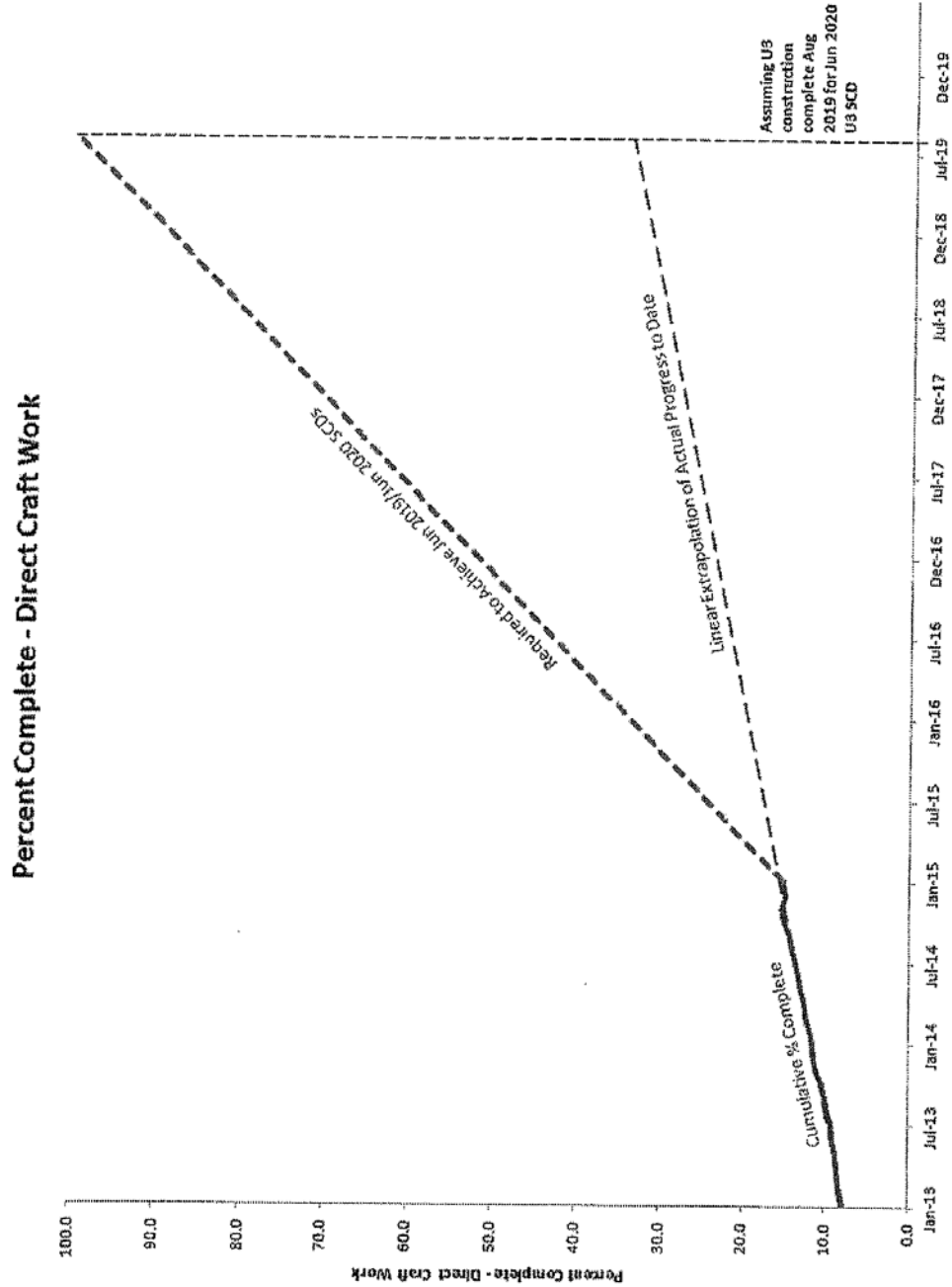
1. All numbers shown are at 100%.
2. Baseline reference: Cumulative cost of \$2,281M ... is the EPC contract based on the July 2012 settlement totaling \$1,936M escalated.
3. Entitlement curve: Cumulative cost of \$358M above the baseline ... is the EAC Design Finalization and Change Orders minus LDs with escalation added. For SCE&G at 55% ... this is the \$72M (design finalization) and \$56M (change orders) filed in the current PSC petition.

Target Cost - \$62.4M over EAC basis in 5 months following receipt of EAC

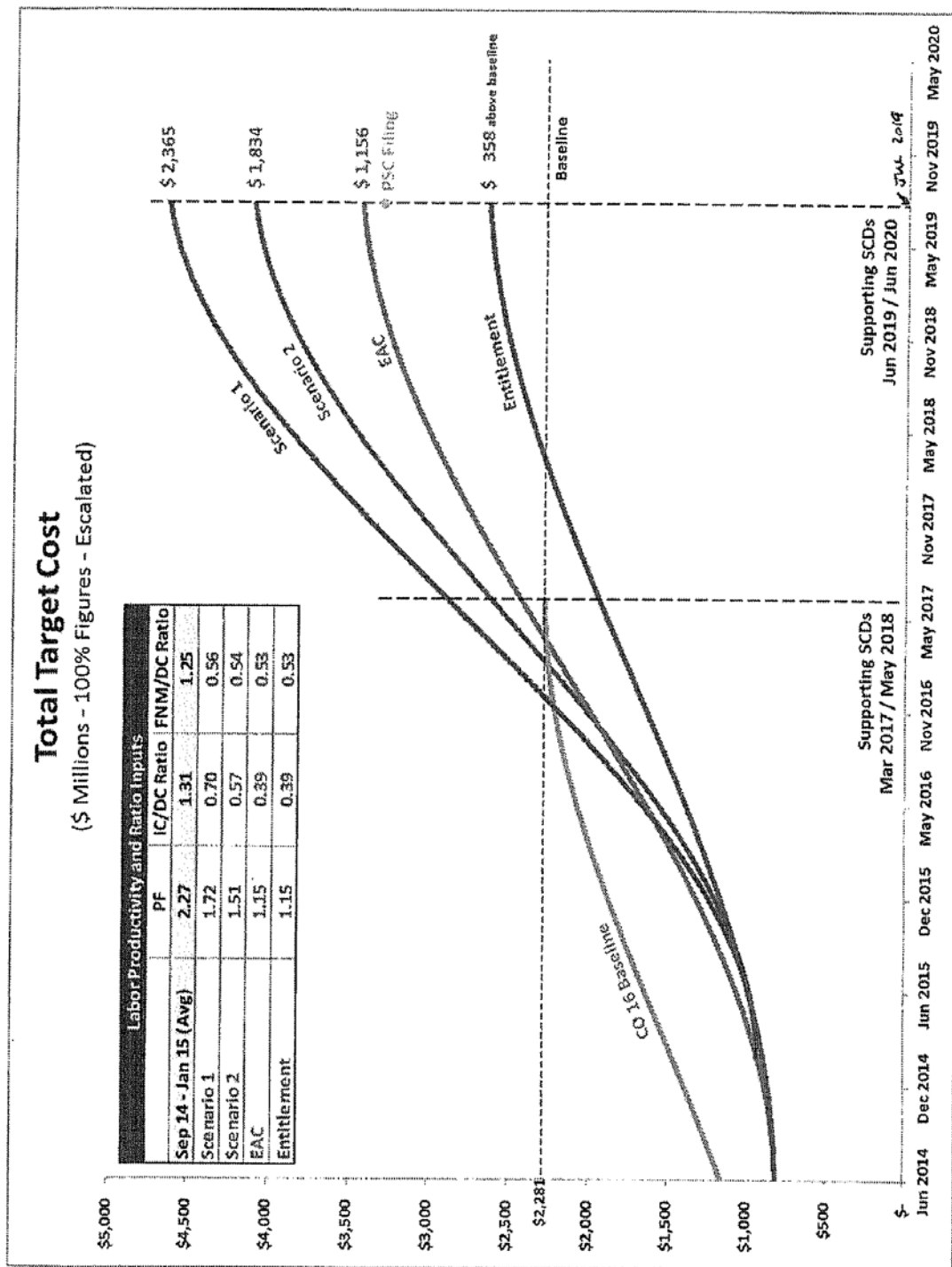


Confidential Competition Sensitive  
Proprietary Business Information

DOJ\_00129301







Confidential Competition Sensitive  
Proprietary Business Information

DOJ\_00129303

**Crosby, Michael**

---

**From:** Carter, Lonnie  
**Sent:** Monday, November 28, 2016 1:08 PM  
**To:** MARSH, KEVIN B (KMARSH@scana.com)  
**Subject:** Wednesday's SCE&G/Santee Cooper meeting  
**Attachments:** Nuclear Timelines--Project Management.docx; Nuclear Timeline-Bankruptcy.docx; Securitization Assessment Nov 28 2016.doc.docx

Kevin,

This letter is sent to assist you in preparation for our meeting on Wednesday (11/30), as both our teams prepare for the joint Board meeting scheduled on December 5. We both share the strong desire to work as a team to see the Summer 2&3 Project successfully completed. This letter is offered in that spirit:

From Santee Cooper's perspective, there are 3 primary items we need to discuss on Wednesday. Candidly, the first two have become items of frustration for Santee Cooper, and have put me in an awkward position with my Board, who are insisting to know why no action has been taken. I asked Santee Cooper's team to prepare timelines which show when the items were raised and discussed. These timelines are written from Santee Cooper's perspective, and perhaps will provide insight to your team.

1. Increased project management expertise in large scale EPC construction.
2. Bankruptcy counsel.
3. Release of the Bechtel Report to the Cooperatives.

**Increased project management expertise in large scale EPC construction--**We need to be prepared to discuss with our Board, after two years of requests and an affirmative commitment from you on more than one occasion, why this has not yet been done. The attached timeline is illustrative.

The formation of the CORB was SCANA's response to the Betchel Report and Santee Cooper's request for better Project oversight with large EPC experience. Based on the recommendations we heard at both CORB briefings, I am concerned that we learn critical information too late from an outside team that comes in quarterly for a few days, which should have been brought to our attention by our teams. The information we learned last week was very important and key to the effectiveness of our President's Meetings with WEC and Fluor.

As we discussed following the call, we must determine if our teams have the knowledge and expertise to glean this key information. If they do have the knowledge and expertise, then what are the reasons the information does not reach us? If they do not have the knowledge and expertise, what can be done to staff in such a manner to have this information available in a timely manner? I recommend that we move quickly to act on the CORB's recommendations and set specific timeframes for our team to implement.

**Bankruptcy counsel—**Bankruptcy expertise would significantly inform our team as we negotiate with WEC going forward. Our separate, collective and independent analysis suggests that the fixed price option offered by WEC is likely significantly less than the cost WEC will incur to complete the Project. This is the very reason that we selected the fixed price. Regrettably, we must anticipate WEC having financial difficulty completing the Project, particularly in a timely manner. We should consider all options available to us that will insure WEC lives up to our Agreement. Our strategies should contemplate potential bankruptcies for both WEC and Toshiba. Toshiba's weakened financial condition is an unfortunate development as WEC's guarantor that we must also consider.

After no action on our repeated requests on this topic, as indicated in the attached timeline, I asked our legal team to find bankruptcy counsel. When we advised the SCANA team of this and our recommendation, no response has been received. This issue is of such concern to the Santee Cooper Board (as the timeline shows this was brought up at our first joint Board meeting) that I further asked our legal team to conduct an assessment of the securitization of the Project in the event WEC is unable to finish. This is something that

would typically be undertaken by counsel with bankruptcy expertise. The securitization assessment is attached for your benefit. We will be prepared to discuss it further on Wednesday.

**Release of the Bechtel Report to the Cooperatives**—We are backed into a corner on this. Our largest customer, having learned of it through intervention in SCE&G's fixed price petition, demands a copy of the report. Our requests to your legal team to put some parameters around the disclosure has been met with the response that we should not release it. Not releasing this information will likely bring formal requests that will be an untenable position for both our companies.

We look forward to our discussion on Wednesday.

Thanks,  
Lonnie

### Nuclear Timeline—Additional Project Management Request

For well over two years, the Santee Cooper Board and management team have been pressing SCANA to substantially enhance the construction project management team by repeated direct requests, through the Bechtel analysis, and via the CORB process, as indicated by the timeline below.

#### Timeline: Project Management

- May 2014: **Roll-up Letter** - Shortly after sending the May 2014 roll-up letter to WEC receiving the \$1B EAC (Aug), Santee Cooper began discussions with SCE&G executives to engage outside assistance with management of the EPC contract.
- Sep 3, 2014: **Marsh email to Carter (September 3, 2014 at 2:06:00 PM EDT) ...**
- “We are ready to move forward with hiring/engaging an additional resource with significant construction expertise to assist us with evaluating the construction schedule and project status. I believe having this person on our staff vs. working as a consultant will avoid conflicts with the consortium on proprietary matters.”
- Feb 17, 2015: **SCANA Meeting (Timmerman’s old office)** - Marsh, Byrne, Carter, Watson, Crosby) - Santee Cooper suggests Bechtel for project review, providing SCANA with a project assessment proposal to assist in identifying areas for improvement.
- Apr 7, 2015: **Bechtel Meeting (SCANA Hangar)** - Team Marsh, Team Carter, & Bechtel – Bechtel introduces its nuclear team and presents assessment proposal. Kevin agrees to seek SCANA Board approval to go forward with an assessment.
- Apr - Aug: **SCANA and Santee Cooper Board approvals received** - to move forward with a Bechtel project assessment.
- Aug 10, 2015: **Bechtel Assessment** – finally begins. Much time lost April through July getting Roderick & Asherman engaged and NDAs and PO in place. To push forward, Santee Cooper made the Bechtel assessment a “requirement” to proceed with the (stalled) negotiations that eventually led to CB&I exiting the Project.
- Aug – Oct: **Bechtel Calls** – Craig Albert holds weekly calls with Marsh & Carter. SCANA NND project leadership has limited involvement in the assessment. Cherry steps up to lead effort on behalf of Owners. Cherry engages Archie in a daily effort to force WEC (Benjamin / Roderick) to release engineering & schedule documents. Carl Rau & Roderick eventually have a heated email exchange. Documents are finally released to a reading room only - the assessment effort is a challenge.
- Oct 22, 2015: **Bechtel Meeting (SCANA HQ)** – Bechtel executive level report-out of project assessment, findings, and high-level recommendations. Bechtel promises a final report in 2–3 weeks. SCANA management expresses hesitation, routes

assessment through legal department, indicates concern Bechtel's objective is to seek a long-term engagement on the Project.

Nov 12, 2015: **Bechtel Assessment Report – issued to George Wenick** - Weeks go by with Wenick/Bechtel wrangling over Wenick's rejection of initial report, redactions, timeline removal, critique of project management. Baxley, Pelcher, Lindsay, and Bynum meet with Wenick (in Atlanta) for a review and final disposition of report.

Feb 5, 2016: **Bechtel Project Assessment Report** – Numbered copies of final report released to Santee Cooper by SCANA.

Mar 4, 2016: **Santee Cooper Recommendations** – Five formal recommendations forwarded to Marsh:

1. Construction Milestone Payment Schedule
2. Project Evaluation and Assessment by Owners
3. Quarterly Meetings with Toshiba / WEC / Fluor
4. Evaluation of Fixed Price Option
5. Professional Oversight of EPC Agreement

Mar 7, 2016: **SCANA Meeting (Kevin's conference room)** – Marsh, Byrne, Archie, Lindsay, Bynum, Team Carter – group discusses Bechtel Report and Santee Cooper formal recommendations. Carter praises SCANA's project management team for its operations experience and ability to work well with NRC, but expresses concern over inability to hold Consortium accountable.

Marsh agrees to have the SCANA and Santee Cooper teams study the Bechtel Report, agree on actionable recommendations. Marsh agrees to add EPC resources to his team to fill any gaps/needs identified.

Marsh, Byrne & Archie float Construction Oversight Review Board (CORB) approach as a possible resource solution ... same was being used at Vogtle.

CMPS – at Santee Cooper's request, Marsh agrees to hire Bechtel (Jason Moore) on a limited scope basis to assist team in development of the CMPS. Action assigned to Archie. Archie first attempts to hire Jason Moore as an independent contractor. Subsequently, Craig Albert instructs his staff to move on.

Mar 11, 2016: **CEO Meeting (Columbia)** - Marsh, Harold Stowe, Carter, Leighton Lord – meet to discuss Santee Cooper's formal recommendations and expectations of SCANA for the planned Mar 21 Joint Board meeting.

Mar 18, 2016: **Marsh email to Carter (March 18, 2016 at 8:25:34 AM EDT)** ... pertinent excerpts provided below:

"Our team is looking forward to meeting with the Santee Board next Monday ..."



"We appreciate the effort behind the recommendations provided to us regarding your views on project issues. We have carefully considered your concerns and, as we discussed in our meeting last week, we appear to be in alignment on the first four. We agree in principle with the concern expressed in Item 5 related to additional oversight of the project and have a plan of action that we believe will address the issue appropriately. Our first step in this regard is to staff a Construction Oversight Board.

"Next we would seek an appropriate number of experienced EPC, and/or large construction project personnel to add to the new nuclear team. These individuals would be available to assist the current Project Management Office team and site leadership in assessing and addressing issues arising during construction. I am confident that the number and specific type of personnel needed in this capacity will be informed by the work of our teams who are currently summarizing a list of recommendations for the project going forward. We expect these teams to complete their work and provide a report to senior management by the end of April."

Mar 21, 2016: **Joint Board Meeting 1 (Columbia Hilton)** – discussed Bechtel Report, Santee Cooper March 3 formal recommendations and SCANAs plan forward to address issues.

Marsh committed that SCANA and Santee Cooper would work to identify actionable Bechtel recommendations, SCANA would add EPC experts to its team, and that SCANA would charter a V.C. Summer Construction Oversight Review Board to help SCANA with project execution.

Apr 7, 2016: **SCANA feedback on Bechtel Assessment** – Cherry and Crosby meet with Archie and Bynum. In response to Marsh's request for the teams to work on the Bechtel assessment recommendations, Bynum gave Santee Cooper a spreadsheet containing SCANA feedback from several members of the NND project management team. Brad Stokes (SCANA Manager of Engineering) had not been a part of the Bechtel assessment review effort, even though many issues tied to engineering were impeding progress on the Project.

Apr 15, 2016: **Santee Cooper feedback on Bechtel Assessment** – Also in response to Marsh's request for the teams to work together on the Bechtel assessment, Santee Cooper forwarded Archie and Bynum Santee Cooper's formal review of the Bechtel assessment which included a cross-reference to SCANAs feedback. Santee Cooper's feedback was consistent with its Mar 3<sup>rd</sup> recommendations calling for the addition of EPC expert resources to assist SCANA project management with executing Bechtel recommendations on engineering, procurement, project controls & scheduling.

Archie called Crosby and Byrne emailed Crosby a few days later and confirmed that they had received and reviewed Santee Cooper's feedback ... and that the teams were in agreement.

May 19, 2016: **SCANA meeting – CMPS & Bechtel Assessment** – Marsh, Byrne, Archie, Carter, Crosby, Cherry meet.

**CMPS:** WECs front-end loaded CMPS discussed in detail. Santee Cooper again requested SCANA seek outside expertise to assist Owners with this issue.

**Bechtel Assessment:** Due to the progress WEC & Fluor appear to be making on procurement issues – Santee Cooper agreed to narrow the focus of the Bechtel recommendations to only engineering issues.

Jun 17, 2016: **Santee Cooper Board Meeting (Wampee)** – Fixed Price Option formally introduced to the Santee Cooper Board. .

Jun 18, 2016: **Crosby email to Archie (June 18, 2016 10:50 AM EDT)** – Marsh, Carter and Byrne were copied ... pertinent excerpts provided.

“Yesterday, Marion brought me the attached document that you gave him Thursday on the Project Assessment Report.... SCANA's recommendation, and apparent next step, is to perform (another) 3<sup>rd</sup> party assessment on how to make things better.....I am not supportive of just another 3<sup>rd</sup> party assessment. The assessment completed Q3 2015, at a cost of \$1M, was sufficient for Santee Cooper to recognize the need to on-board experts help to work on key issues and improve the management of the Project.” No response was received.

Jun 20, 2016: **Joint Board Meeting 2 (Nexsen Pruet)**

**Fixed Price Option:** SCANA presents its analysis of the Fixed Price Option.

**CORB:** Peggy Pinnell (Santee Cooper Director) reminds Archie of his commitment in the Mar 21 joint meeting to get the CORB established as soon as possible. Archie recommits to getting the CORB established by Jul 20.

Aug 2016: **CORB Review #1** – The Construction Oversight Review Board held its first review in Jul & Aug. The initial review provided for a high-level review of the project schedule, construction, construction to startup turnover planning, engineering, startup, project management, procurement, document control, vendor supplied equipment, and component testing. An executive level exit meeting was held on Aug 18 – primary takeaways follow:

- Schedule has too many activities (238K vs 60K at Watts Bar 2)
- Subcontracts are not in schedule
- Engineering is impeding construction
- Engineering not in schedule – being handled by lists
- Project Management – must get aggressive to hold EPC accountable. Team will not make it without some help

CORB Chairman (Skaggs) promised final report in 2 weeks.

Sep 16, 2016: **Draft CORB Report #1** – received from SCANA after Carter discussed with Marsh that the report was past due. Report was in-house SCANA and being reviewed by Archie. Bynum forwarded a copy to Baxley and reminded Santee Cooper the report was confidential.

Oct 13, 2016: **SCANA action on CORB Report #1** – Williams requests an update from Archie on Oct 5. Jones forwards a report on Oct 13. The information received was primarily a report on what WEC & Fluor are doing to address CORB recommendations on schedule, engineering, project metrics, etc.

**Conclusion:** SCANA's project management team has many areas of strength (nuclear safety culture, operations, NRC management) but does not have the comprehensive skills and depth of experience necessary in engineering, scheduling, project controls and construction to manage a large new build project laced with complexities. Those complexities being (1) a first of a kind nuclear technology (2) being deployed by an over-extended equipment manufacturer (Westinghouse), (3) backed by an incompetent engineering firm responsible for project integration (Stone & Webster now WECTEC), and (4) a Contractor that has been disingenuous on multiple issues. The Project would be greatly benefitted by infusing the current project management team with a framework of qualified EPC managers charged with working collaboratively with the Owner and Consortium to identify areas for improvement, suggest proven solutions, and to provide an independent perspective on actual progress – the effort aimed at increasing the accountability of the Consortium and the success of the Project. After three years of project delays, and now another five months of Unit 2 delay realized in 2016 – there should be no shame in reaching out for qualified assistance.



### **Nuclear Timeline—Project Bankruptcy Counsel**

Beginning with the precipitous decline of Toshiba's credit rating and financial strength, the Santee Cooper Board and management team have been requesting that SCANA retain bankruptcy counsel for the project. The following timeline is illustrative:

#### **Timeline: Bankruptcy Counsel**

April 2015: Toshiba announces accounting scandal.

July 21, 2015: Toshiba senior executives and Board of Directors resign.

Dec 22, 2015: Moody's reduces Toshiba long term bond rating to junk status.

Mar 2016: Santee Cooper approaches Nelson Mullins bankruptcy counsel about Project, conflicts check shows WEC is a client of Nelson Mullins in some capacity.

Mar 21, 2016: **Joint Board Meeting 1 (Columbia Hilton)** – Boards discussed declining financial condition of Toshiba and what financial response the Owners should make to poor project progress. Owners' counsel met with George Wenick that afternoon and Santee Cooper requested that bankruptcy counsel be retained for the Project as a proactive measure given Toshiba's and potentially WEC's financial condition.

Apr 4, 2016: **Pelcher email to Bynum (April 4, 2016 4:01 PM EDT)** – pertinent excerpt

"... has SCE&G secured a project bankruptcy attorney to help us think through how Toshiba's financial difficulties might impact Westinghouse and ultimately us? You may recall this is a topic we discussed during our Mar 21 (post board meeting) nuclear attorneys meeting ..."

Jun 7, 2016: **Crosby email to Byrne (June 07, 2016 6:03 PM EDT)** – pertinent excerpts

"... Lonnie asked me to forward you and Kevin a proposed agenda for the joint meeting on the 20th. Here is what I have so far ... welcome your comments.

1. Fixed Price Option

- a. SCANA analysis – presentation
- b. PSC Testimony – any comments that can be shared
- c. Draft SCANA letter to Santee Cooper – recommending FPO
- d. Potential Bankruptcy – outside legal opinion & plan to address"

Jun 16, 2016: **Marsh email to Carter (June 16, 2016, at 3:39 PM)** – pertinent excerpts

"Based on our internal discussions, we propose an agenda as follows:

1. Follow-up on issues from our last joint meeting;
2. Consideration of the fixed price option; and
3. Update on the milestone schedule/Dispute Resolution Board (DRB) issue"

"Through a number of emails I have seen other topics that your board may want to discuss. We are prepared to do that, but we believe that such a discussion should occur when we have more time. Issues, such as the potential bankruptcy of Toshiba or Westinghouse are critical, but would prefer to have some detailed discussions and debate within our project teams before making a formal presentation to either of our boards."

Jun 16, 2016: **Carter email to Marsh (Jun 16, 2016, 7:20 PM)** – pertinent excerpts

"... Finally, I agree with you that further staff level discussion on the ramifications of a Toshiba or Westinghouse bankruptcy would be useful and should precede any formal presentations to our boards on this matter. With that said, the possibility of such a bankruptcy cannot be entirely divorced from our joint board discussions on Monday. For example, Item No. 2 on your agenda relating to the fixed price option obviously shifts risk away from the Owners and to Toshiba/Westinghouse, making their credit worthiness all the more important. Similarly, with respect to Item No. 3, getting the milestone payment schedule right will make it less likely that Westinghouse view as desirable a strategic Chapter 11 bankruptcy to rid itself of uneconomical executory contract."

Jun 17, 2016: **Carter email to Marsh (June 17, 2016 5:12 PM)** – pertinent excerpts

"At today's Santee Cooper Board meeting several questions regarding the implications of a Toshiba bankruptcy came up. Some we could address others not. I would anticipate similar questions Monday....."

Jun 23, 2016: **Pelcher email to Bynum (June 23, 2016, at 5:12 PM)** – pertinent excerpts

"... Al. one of my notes from Monday's Joint SCANA/Santee Cooper Board Meeting in Columbia was an interest by members of the respective boards in retaining project bankruptcy counsel to provide strategic advice on the challenges associated with Toshiba's financial difficulties arising out of last year's accounting scandal and the risk that posed to the Owners and the project."

"As I understood the discussion from Monday, our joint boards had an interest in retaining as project counsel someone who would be able to represent us both now and in the event of a bankruptcy without having to get a waiver from Westinghouse or Toshiba. My notes indicate that you tasked George Weniek to identify potential project bankruptcy counsel for this purpose."

"One more thing - - and just speaking for myself - - in the penultimate paragraph of his June 16, 2016, at 3:39 PM Email, below, Kevin Marsh advanced the idea of

possibly making a "formal presentation" to our boards on the bankruptcy/insolvency issue after some further analysis/discussion among staffs of SCE&G and Santee Cooper. Given the demonstrated interest in this issue by our board, I think this is a very good idea."

"I would think that the content of such a board presentation would be informed not only by the analysis of the project bankruptcy attorney we eventually (hopefully very soon) retain, but also by a more granular understanding of Toshiba's and Westinghouse's financial situation. Although as a Japanese company the particulars of Toshiba's financial situation might be a bit opaque to us over here, I would think that there would be resources availability to allow us to develop a better picture of its situation and prospects."

Jun 24, 2016: **Bynum email to Pelcher ( June 24, 2016 1:53 PM)** – pertinent excerpt

"Ron and I talked to George yesterday about adding bankruptcy support. He is looking for candidates. We are likely comfortable with whoever he suggests"

Jun 30, 2016: **Pelcher email to Bynum (June 30, 2016 11:41 AM)** – pertinent excerpt

Al: Following Up on our Email Exchange of late last week on bankruptcy counsel, and anticipating that this issue might be raised by one of our board members in connection with today's meeting, has any progress been made in securing project bankruptcy counsel? As you may remember, the issue of WEC/Toshiba bankruptcy/insolvency was on the mind of several of our board members during the June 20<sup>th</sup> Joint Meeting."

Jun 30, 2016: **Bynum email to Pelcher (June 30, 2016 2:59 PM)** – pertinent excerpt

"George will have to answer your bankruptcy question – we delegated that to him"

Aug 19, 2016: **Pelcher email to Bynum (August 19, 2016 8:43 AM)** – pertinent excerpt

"Al: As you may know, the Santee Cooper meeting on Monday, August 22<sup>nd</sup>. There will be the now normal update on V.C. Summer Units 2 and 3 in Executive Session. I will be on hand to answer questions of a legal variety that may arrive. "

"QUESTION: If asked by a board member in Executive Session about the status of securing project bankruptcy counsel, what should I tell them?"

Sep 28, 2016: **Pelcher email to Wenick / Bynum (September 28, 2016 2:20 PM)** – pertinent excerpts



"George/Al: I was on the Executive Floor today and a question came up about whether George has made any progress in identifying a project bankruptcy counsel? You may recall, that this is a matter that our joint boards discussed during their June 20<sup>th</sup> meeting. I have pasted below for your convenience prior Email on this matter."

"The next Santee Cooper Board meeting is scheduled for October 14<sup>th</sup> and I anticipate this issue coming up at that time."

Oct 24, 2016 **Carter and Baxley travel to New York and meet with Dentons, LLC attorneys regarding project bankruptcy counsel.**

Oct 25, 2016 **Carter letter to Marsh:**

During the June 20 joint meeting, members of both our Boards expressed concern about the financial difficulties being faced by Toshiba Corporation and Westinghouse Electric Company and how those problems could possibly impact the timely and successful completion of the project. One action item that SCANA agreed to take on was securing Project Bankruptcy Counsel who would help us think through Toshiba/Westinghouse insolvency scenarios so that we might begin planning now on how mitigate the impact of such an unfortunate possibility. Indeed, in a June 16, 2016 email to me, you expressed the very same concerns describing "the potential bankruptcy of Toshiba or Westinghouse [as] critical" but expressing the "prefer[ence] to have some detailed discussions and debate within our project teams before making a formal presentation to either of our Boards." The time for that formal presentation to the Board has arrived.

Oct 28, 2016 **Email from Baxley to Marsh and SCANA legal team:**

I'm pleased to report that this week we have located bankruptcy counsel for the nuclear construction project. Stuart Caplan of Dentons New York office has assembled an energy/large construction group with whom we met this week. Stu is well known to Santee Cooper and has represented us in multiple issues over three decades. He is assisted by Farrington Yates who focuses on large scale construction bankruptcies representing creditors. The third member of the team is a large construction project risk avoidance specialist who has litigated the aftermath of multiple mega projects and personally knows at least one of our DRB—John Hinchey—and made several accurate observations about his personality.

No reply received from any recipient.

Confidential/Proprietary/Attorney Work Product

**EPC Securitization Assessment**

**Redacted - Privilege**

**Redacted - Privilege**

**Redacted - Privilege**

**Redacted - Privilege**



**Redacted - Privilege**

**Redacted - Privilege**

**Redacted - Privilege**

**Redacted - Privilege**

**Redacted - Privilege**

**Redacted - Privilege**

Respectfully Submitted,

Nuclear Project Securitization Team

J. Michael Baxley  
Michael R. Crosby  
Elizabeth H. Warner  
Stephen R. Pelcher  
Rahul Dembla

November 28, 2016

Event ID:

Event Name: [SCG] - SCANA 1st Quarter 2015 Earnings Conference Call/Webcast

Event Date: 2015-04-30

Officers and Speakers

Susan Wright; SCANA Corporation; Director, Financial Planning & IR

Jimmy Addison; SCANA Corporation; EVP & CFO

Steve Byrne; South Carolina Electric & Gas Company; President, Generation and Transmission & COO

Analysts

Travis Miller, Morningstar

Michael Weinstein, UBS

Jim von Riesemann, Mizuho Securities

Michael Lapedes, Goldman Sachs

Mitchell Moss, Lord Abbett

Andy Levi, Avon Capital Advisors

Tim Winter, Gabelli & Co.

Dan Jenkins, State of Wisconsin Investment Board

David Paz, Wolfe Research

Presentation

Operator: Good afternoon, ladies and gentlemen. Thank you for standing by. I will be your conference facilitator today. At this time I would like to welcome everyone to the SCANA Corporation conference call.

(Operator Instructions)

As a reminder, this conference call is being recorded on Thursday, April 30, 2014 (sic). Anyone who does not consent to the taping may drop off the line.

At this time I would like to turn the conference over to Susan Wright, Director of Financial Planning and Investor Relations.

Susan Wright: Thank you, and welcome to our analyst call. As you know, earlier today we announced financial results for the first quarter of 2015.

Joining us on the call today are Jimmy Addison, SCANA's Chief Financial Officer, and Steve Byrne, Chief Operating Officer of SCE&G. During the call Jimmy will provide an overview of our financial results and related matters, and Steve will provide an update of our new nuclear project. After our comments we will respond to your questions.

The slides and the earnings release referenced to in this call are available at SCANA.com. Additionally, we post information related to our new nuclear project and other investor information directly to our website at SCANA.com. On SCANA's home page there is a yellow

box containing links to the nuclear development and other investor information sections of the website.

It is possible that some of the information that we will be posting from time to time may be deemed material information that has not otherwise become public. You can sign up for email alerts under the Investor Relations section of SCANA.com to notify you when there is a new posting in the nuclear development and/or other investor information sections of the website.

Finally, before I turn the call over to Jimmy, I would like to remind you certain statements that may be made during today's call are considered forward-looking statements and are subject to a number of risks and uncertainties as shown on Slide 2. The Company does not recognize an obligation to update any forward-looking statements.

Additionally, we may disclose certain non-GAAP measures during this presentation. The required Reg G information can be found in the Investor Relations section of our website, under Webcasts and Presentations.

I'll now turn the call over to Jimmy.

Jimmy Addison: Thanks, Susan, and thank you all for joining us today.

I'll begin our earnings discussion on Slide 3. GAAP earnings in the first quarter of 2015 were \$2.80 per share, compared to \$1.37 per share in the same quarter of 2014. The improved results in the first quarter are mainly attributable to the net of tax gains on the sales of CGT and SCI and higher electric margins, due primarily to a Base Load Review Act rate increase and customer growth. Also, O&M presented a favorable variance, which is primarily attributable to CGT only operating as part of the SCANA family for one month.

These were partially offset by lower electric margins due to weather, lower gas margins, and expected increases in CapEx-related items, including interest, property taxes and share dilution. Note that even though weather had a negative impact on earnings year over year, it was still abnormally cold, and earnings increased by \$0.05 per share in the first quarter of 2015, compared to \$0.10 per share in the first quarter of 2014.

Slide 4 shows earnings on a GAAP-adjusted weather-normalized basis. Earnings in the first quarter of 2015 were \$1.34 per share, compared to \$1.27 per share in the same quarter of 2014. This excludes the impact of abnormal weather and the net of tax gains on the sales of CGT and SCI in the first quarter of 2015 of \$1.41 per share.

Now on Slide 5 I'd like to briefly review results for our principal lines of business. On a GAAP basis, South Carolina Electric & Gas Company's first quarter 2015 earnings were relatively flat when compared to the same quarter of 2014. However, exclusive of the previously mentioned impacts of weather, earnings per share were up \$0.05 in the first quarter of 2015 over the first quarter of 2014.



Increases in earnings were due primarily to the continued recovery of financing costs through the BLRA, customer growth and a decrease in operation and maintenance expenses. These items were offset by a decrease in gas margins as well as increases in expenses related to our capital program, including interest expense, property taxes, depreciation and share dilution.

PSNC Energy's earnings were \$0.24 per share for the first quarter of 2015, consistent with the prior year.

SCANA Energy, our retail natural gas marketing business in Georgia, showed an increase in first quarter earnings of \$0.03 per share in 2015 over last year. This improvement was primarily attributable to increased margins.

On a GAAP basis SCANA's corporate and other businesses reported earnings of \$1.48 per share in the first quarter of 2015, compared to \$0.08 per share in the prior year. Excluding the net of tax gains on the sales of CGT and SCI of \$1.41 per share, GAAP-adjusted EPS was down \$0.01 over the prior year. This is mainly attributable to lower interest expense at the holding company being more than offset by the foregone earnings contribution from the subsidiaries that were sold.

I would now like to touch on economic trends in our service territory on Slide 6. We continue to see new business growth and expansion of existing businesses. So far in 2015 companies have announced plans to invest over \$600 million, with the expectation of creating over 1,600 jobs in our Carolinas territories.

Most significantly, Mercedes Benz announced plans last month to invest about \$500 million to build a new commercial van assembly plant in Charleston, creating approximately 1,300 jobs. South Carolina continues to be seen as a favorable place to start and/or expand existing businesses.

At the bottom of the slide you can see the national unemployment rate along with the rates for the three states where SCANA has a presence and the SCE&G electric territory. South Carolina's unemployment rate is now 6.7%, and the rate in SCE&G's electric territory is estimated at 5.6%.

While the South Carolina unemployment rate has slightly increased over the past few quarters, March marked the 64th consecutive month of employment growth and the 14th consecutive month of labor force expansion, as the number of people entering the work force is at an all-time high. Approximately 50,000 more South Carolinians are working today than a year ago.

Slide 7 presents customer growth and electric sales statistics. On the top half of the slide are the customer growth rates for each of our regulated businesses. We continue to see strong customer growth in our businesses and in the region.

SCE&G's electric business added customers at a year-over-year rate of 1.5%. Our regulated gas businesses in North and South Carolina added customers at 2.6% and 2.9%, respectively. Of particular note is the fact that all of these rates accelerated over rates a year ago.

The bottom table outlines our actual and weather-normalized kilowatt-hour sales for the 12 months ended March 31, 2015. Overall, weather-normalized total retail sales were flat on a 12-month ended basis. We continue to see slightly lower weather-normalized consumption at the residential level, reflecting anticipated energy efficiencies, which is offset by increases in industrial demand.

Now please turn to Slide 8, which recaps our regulatory rate base and returns. The pie chart on the left presents the components of our regulated rate base of approximately \$8.9 billion. As denoted in the two shades of blue, approximately 85% of this rate base is related to the electric business.

In the block on the right you will see SCE&G's base electric business, in which we're allowed a 10.25% return on equity. The earned return for the 12 months ended March 31 in the base electric business is approximately 9.6%, meeting our stated goal of earning a return of 9% or higher to prevent the need for non-BLRA-rated base rate increases during the peak nuclear construction years. We continue to be pleased with the execution of our strategy.

Continuing down the page, on our new nuclear business we're allowed an 11% return on equity. Last year the Public Service Commission of South Carolina approved our 2014 request for revised rates under the BLRA, which added incremental CWIP of approximately \$561 million to our rate base and increased rates by approximately 2.8% in November. As Steve will discuss shortly, we will be filing our new revised request for rates in May.

Our regulated gas businesses in the Carolinas continued to perform well. We're allowed a return on equity of 10.6% and 10.25% in North and South Carolina, respectively, and we continue to operate these businesses within a reasonable range of those returns.

Slide 9 presents our CapEx forecast. This forecast reflects new nuclear spending, as reflected in the petition filed with the Public Service Commission of South Carolina on March 12, 2015. At the bottom of the slide we recap the new nuclear CWIP from July 1 through June 30 to correspond to the periods on which the BLRA rate increases are historically calculated.

Now please turn to Slide 10 to review our estimated financing plan through 2017. As a reminder, in January we issued approximately \$14 million in equity through our 401(k) and DRIP plans before turning the plans off to new shares. By acquiring shares on the open market to satisfy the needs of these plans, we can further utilize the cash proceeds from the sales of CGT and SCI. We do not anticipate the need for further equity issuances until 2017 and currently expect we could satisfy future needs without follow-on offerings.

While these are our best estimates of incremental debt and equity issuances, it is unlikely that these issuances will occur exactly as presented, as they are subject to changes in funding needs for the planned project expenses and we continue to adjust the financing to match the related CapEx on a 50/50 debt and equity basis.

Finally, on Slide 11, we are reaffirming our GAAP-adjusted weather-normalized earnings guidance of \$3.60 to \$3.80 per share, along with our internal target of \$3.70 per share. Our long-

term GAAP-adjusted weather-normalized average annual growth guidance remains unchanged, as we plan to deliver 3% to 6% earnings growth over the next three to five years using a base of 2014's GAAP-adjusted weather-normalized EPS of \$3.58 per share.

I'll now turn the call over to Steve to provide an update on our nuclear project.

Steve Byrne: Thanks, Jimmy. Please turn to Slide 12. I'd like to begin by discussing the petition that SCE&G filed with the Public Service Commission of South Carolina on March 12. The petition is seeking approval to update the construction milestone schedule as well as the capital cost schedule for the two new nuclear units.

The construction schedule, without consideration of all mitigating strategies, includes a substantial completion date of June of 2019 for Unit 2 and June of 2020 for Unit 3. The new capital cost schedule includes incremental capital costs that total \$698 million, of which \$539 million are associated with the delay and other contested costs.

As previously noted, negotiations continue with the consortium, and neither SCE&G nor Santee Cooper has accepted responsibility for any contested and/or delay-associated costs. Further, we cannot predict when these negotiations will be resolved.

I'd now like to discuss some of the activities at the new nuclear construction site. Slide 13 presents an aerial photo of the site from last December. Here you can see the layout of the site. I've labeled both Units 2 and 3 as well as many other areas that make up the construction tabletop. The site changes daily, and for those of you that have been tracking the project for some time you can see that progress continues to take place.

On Slide 14 you can see a picture of the Unit 2 Nuclear Island. In this picture you can see module CA20, along with the containment vessel ring one, which has been placed on the containment vessel lower bowl. Also visible in this photo are the personnel and equipment hatches, which are located in the first ring section. Work continues on the containment vessel to prepare it for placement of CA01, which we will discuss shortly.

Progress continues on achieving what we term elevation 100 as auxiliary building walls are being built up. Once elevation 100 has been reached, work will begin on the annex building, which will house the electrical switch gear for the plant as well as placing of the shield building panels.

Slide 15 presents a schematic of the large structural modules that will be located inside the containment vessel, and here you can see the locations of modules CA01, 02, 03 and 05, which we will further discuss shortly.

Slide 16 has another schematic view of the modules inside of the containment vessel. This exploded view of CA01 through 05 gives you a better feel of how they fit spatially inside said containment vessel.

Slide 17 shows a recent picture of Unit 2 module CA01. CA01 houses the steam generators, the pressurizer, and forms a refueling canal inside of the containment vessel. On the right-hand side of the photo you can see an arc flash from the automatic process that's seam-welding the submodules together. This seam-welding on all submodules in preparation for lifting has been completed in the module assembly building, or MAB. Once support concrete has been placed and cured, the CA01 module will be moved outside of the MAB, rigged to the heavy lift derrick and set in the Unit 2 containment vessel.

After the placement of CA01 for Unit 2, the next module to be placed will be module CA02. Slide 18 shows a picture of CA02 as it is currently being fabricated. We now have all five submodules onsite, with three standing upright for assembly in the MAB. Module CA02 is a wall section that forms part of the in-containment refueling water storage tank located inside that containment vessel.

Slide 19 shows a picture of the Unit 3 Nuclear Island. The containment vessel lower bowl has been placed, and the auxiliary building walls continue to take form.

On the left side of Slide 20, you can see a picture of the Unit 2 turbine building. I have added an arrow showing where the construction is taking place for the turbine pedestal. On the right you can see a picture from the top of the turbine building of the turbine pedestal. The turbine pedestal will be concrete, 10 feet thick, and will support the Unit 2 turbine when completed.

Slide 21 shows some of the shield building panels that have arrived onsite for Unit 2. The shield building surrounds the containment vessel. These panels will be welded together, and concrete will be poured inside of the panels to create the shield building. On the left you can see one of these panels up close, and on the right you can see the laydown yard where we have been receiving these panels. We currently have received about 60 of the 167 Unit 2 panels that were manufactured by Newport News Industries.

On Slide 22 you can see where we have begun assembly of the shield building panels. Once joined and welded together panel sections will be placed starting at elevation 100.

On Slide 23 you'll see the new nuclear CapEx, actual and projected, over the life of the construction. This chart reflects our company's current, actual and estimated new nuclear CapEx during the years 2008 to 2020, reflected in the petition filed March 12 with the Public Service Commission. As you can see, the next several years are the peak nuclear construction period. The green line represents the related actual and projected customer rate increases under the BLRA and is associated with the right-hand axis.

Please now turn to Slide 24. We have two BLRA filings coming up in May. In mid-May we will file our quarterly status update with the Public Service Commission, and, as mentioned earlier, on May 29 we will make our annual request for revised rates under the BLRA.

Finally, please turn to Slide 25 to briefly discuss our solar initiative in South Carolina. Our customers and other South Carolina stakeholders have expressed a desire for solar energy, and

we've been looking for ways to economically integrate additional solar into our generation portfolio.

As a part of the Distributed Energy Resource Program, which was filed with the Public Service Commission in February, SCE&G plans to add approximately 95 megawatts of renewable energy by the end of 2020. In 2015 we plan to install approximately 10 megawatts of solar generation to our system. As you can see from the slide, the first two solar farms will be a 3.8-MW solar farm in Cayce, South Carolina, adjacent to our corporate headquarters, and a 500-KW solar farm that will be constructed in North Charleston, South Carolina.

That concludes our prepared remarks. We will now be glad to respond to any questions you might have.

#### Questions & Answers

Operator: We will now begin the question-and-answer session.

(Operator Instructions)

The first question comes from Travis Miller, of Morningstar. Please go ahead.

Travis Miller: Good afternoon. Thank you. I'm going back to the previous CapEx estimate for the 2015-2017 in the previous quarter. It looks like the delta there is about a \$250 million or so on the new nuclear.

Jimmy Addison: Right.

Travis Miller: Is that part of that \$698 million such that the balance of the \$698 million would be post-2017? Am I getting the timing right there?

Jimmy Addison: That's correct.

Travis Miller: Okay. And then how much cash did you get from the CGT and SCI sales that could go into offsetting that equity?

Jimmy Addison: It was a little over \$425 million, Travis.

Travis Miller: Okay. And now, like you said, you plan to use as an equity investment to fund the CapEx?

Jimmy Addison: Right, over time. It'll take us the next couple of years to fully utilize that through displacing otherwise planned equity.

Travis Miller: Great. Okay. Thanks a lot.

Jimmy Addison: Sure. Thank you.

Operator: The next question comes from Michael Weinstein, of UBS. Please go ahead.

Michael Weinstein: Hi, guys. Just wondering if you could give us any kind of update or color on how the negotiations are going with the consortium.

Steve Byrne: Michael, this is Steve. I think the only color I can put around it is they are ongoing. The positive aspects are they haven't completely broken down yet, and we always would reserve the right or the opportunity for other dispute resolution down the road, whether that be arbitration or litigation. But as of right now we're still in the discussion phase with the consortium. Obviously arranging schedules with our executives has been challenging, but we're -- we haven't given up on the negotiation discussions, and we feel that there's an opportunity for a settlement in the future.

Michael Weinstein: If there is no settlement, what is the other alternative? Is it litigation?

Steve Byrne: Yes, the contract has in it a variety of dispute resolution provisions. Arbitration is one of those, but litigation would be the ultimate one.

Michael Weinstein: And I was just wondering if you could maybe go over a little bit more about your strategic plan for solar. How much rate base essentially is there going forward? Are there new initiatives, new legislative initiatives that might expand that even further? Are you going to be going outside of the state at all to expand beyond your borders?

Steve Byrne: Michael, this is Steve again. As of right now the legislation in South Carolina is through Act 236, and that will be restricted to the state. Our current plans do not take us outside of the state borders. As of right now what we're looking at is it works out to be about 2% of peak load, so that works out to somewhere in the 50-MW range of industrial-scale solar and roughly 50 MW of non-industrial or residential/commercial-scale solar. So that's what our goals are between now and about 2020. And what we've outlined here are the first of the projects that we have planned.

Now, whether we own those upfront or not will be a question, and right now we're not thinking that we will own those necessarily upfront. Other entities can take advantage of things like tax credits that we are not able to take advantage of. I think eventually we will probably own them.

We also have about 300 or so customers in our system right now with solar, all relatively small commercial and residential scale, in addition to about a 2.3-MW facility we have down at Boeing. Now, we do anticipate that we'll end up with somewhere in the range of 5,000 commercial and residential customers after 2020 through this state-approved program.

Michael Weinstein: And when you say that eventually you think you'll own them, you mean after the five-year period after the ITC?

Steve Byrne: Yes, I think so. We'll have to see how the tax legislation plays out, but that's our current thinking, anyway.

Michael Weinstein: Okay. Thank you very much.

Operator: The next question comes from Jim von Riesemann, from Mizuho. Please go ahead.

Jim von Riesemann: Good morning, or good afternoon, guys.

Jimmy Addison: Hello, Jim.

Jim von Riesemann: How are you?

Jimmy Addison: Great. How are you?

Jim von Riesemann: I'm okay. I've got three questions, if you don't mind, so one question, three parts. First one is your trailing 12-month earnings on a weather-normalized basis is \$3.62. How do you get to the midpoint of your range of \$3.60 to \$3.70 so you guys hit your \$3.70 target?

Jimmy Addison: Yes, \$3.60 to \$3.80 with a \$3.70 target, right? So, yes, so the way we get there is through customer growth and through the growth in rate base which is driving the BLRA increases. So those are the two main contributors.

Jim von Riesemann: Can you explain -- okay, thank you. Second question is can you explain why the nuclear rate base has stayed flat for the last three consecutive quarters at \$2.667 billion? I'm looking at your pie chart on Page 8.

Jimmy Addison: No, I can't off the cuff, Jim. That doesn't sound rational. So we'll have to check on that and follow up.

Jim von Riesemann: Okay. And then my last question is with this petition that you're supposed to put in later this month and at the end of the month, will you ask specifically for the special petition and then the normal BLRA filing to be consolidated, or is that something that the regulators will have to do, and (b), part (b) of that question, is it a function of the status of negotiations?

Steve Byrne: Jim, this is Steve. The two proceedings before the Commission will stay separate. Remember that what we file for in May is a trailing 12 months, so it's what we've actually spent and really does not have anything to do with what we're proposing going forward. And in large measure what we're asking for with the update petition, and, again, we expect a hearing in the July time frame and an order in the September time frame, will be forward looking, so that's money we haven't yet spent. But it's our best projection today as to what we will end up spending on the project. So those two will stay distinct and separate.

Jim von Riesemann: Okay. Okay, and then I guess the last question is related to PTCs and what you might think might happen with nuclear PTCs. I know you're coming up against the time clock, and I noticed today that DTE, at least -- the press release was a little bit skittish, but

they're going to -- they're putting in for a new nuclear plant. Is that part of the PTCs, and would that take away from the PTCs that you guys have applied for?

Steve Byrne: I think DTE applied for a combined operating license for another nuclear facility some time ago, and I think the press release today is around the successful culmination of that process for them. They will not qualify for production tax credits, because you had to have your license issued by a date certain and we're past that date certain, so that will not change the production tax credit basis for us.

We believe that, and I think it was outlined in our filings, that we will actually be qualifying for more production tax credits than we had originally anticipated in our original filing. So that's a positive aspect. And we will -- we fully anticipate that the consortium will be able to bring the plants in by June of 2019 and June of 2020 for the second unit.

So the production tax credits, and you qualify for them by having the plant in service before the end of 2020. So while I'm not satisfied with only having about six months' margin, we do believe that there are some opportunities, particularly on that trailing unit, or Unit 3, for us to bring that in a little bit earlier.

Jim von Riesenmann: Okay, great. Thank you, guys.

Operator: Our next question comes from Michael Lapides, from Goldman Sachs. Please go ahead.

Michael Lapides: Hey, guys. Congrats on a good quarter. A couple of nuts and bolts questions. Jimmy, can you give a little more clarity about what happened year over year in O&M? Was it at one of the utilities or was it just losing the O&M related to the businesses you sold?

Jimmy Addison: Yes, well, there's a little fluctuation in all of the business. I mean, there have been pay increases earlier in the year for the employee base across all the businesses, etc., some minor inflationary increases with outside vendors. But the most significant change would be the two months of CGT O&M not being in there. That's the most significant one.

Michael Lapides: Got it. And also, when you look at O&M for the year relative to last year at both SCE&G and PSNC, what are you expecting in terms of growth or kind of growth rates?

Jimmy Addison: Yes, well, if you look at it on the face of the financials with the GAAP O&M as reported last year to include the two businesses we've sold, we would expect them to be down for the face of the financials in 2015 compared to 2014 in the 1% to 2% range, because you don't have the O&M for those two businesses for the majority of 2015. If you kind of strip those out from the prior year related to those two small businesses, then we'd expect it to be up maybe 1%, something like that, but fairly close to flat on apples to apples.

Michael Lapides: Got it. So kind of just traditional utility O&M, kind of flat to up 1%?

Jimmy Addison: Yes. That's our expectation.



Michael Lapides: Last question, just real quick, when do you think -- I know you're trying to avoid it -- when do you think you'll have to come in on either the SCE&G gas or electric side, maybe looking more a little bit at the gas side just given the earned ROE there is a little lower than what it is on the electric?

Jimmy Addison: Yes, so on the electric side our strategy continues to be to do everything we can possibly do to stay out of a base rate increase other than the BLRA increases each year during these peak nuclear construction years. So that hasn't changed, and we've defined our internal goal as staying above a 9% return to be able to achieve that.

On the gas side we've got the Rate Stabilization Act in South Carolina which measures it each year. And so at the end of the heating season, at the end of the first quarter, and of course the numbers we disclosed there for the gas business were at 12/31, but once they settle out that and make the pro forma adjustments, the Office of Regulatory Staff will review it.

And if it's more than 50 basis points either way off the 10.25% allowed return there'll be a recommendation to the Public Service Commission that rates be adjusted. For example, last year we were above the allowed return by more than 50 basis points, so there was a small rate decrease of ballpark \$3 million, and that same measurement will happen this year.

Michael Lapides: Got it. One other item real quick, SCANA Energy, anything unusual on the positive side in the quarter, or is this kind of more of a return to normal and last year it was a bit of abnormal?

Jimmy Addison: Well, the main difference is in 2014 we worked very hard to work on the cost of our storage gas that's there. And with the weather that'd been there the last few years and the embedded price of that we were not able to use a lot of that storage to fully respond to the current market price. And we were able to move through a lot of that higher cost gas in 2014, and that's put us in a better position to use that storage to be able to compete in 2015. So we're in a much better position now.

Michael Lapides: Got it. Thank you, Jimmy. Much appreciated.

Jimmy Addison: You're welcome.

Operator: (Operator Instructions)

The next question comes from Mitchell Moss, of Lord Abbett. Please go ahead.

Mitchell Moss: Hey, guys. I just want to get your views on the importance of being investment grade at all three rating agencies for your holding company, for SCANA HoldCo, and particularly having an investment grade rating at Moody's.

Jimmy Addison: Well, it's critically important at the operating company, where we expect to issue a substantial amount of debt the next few years. Most of these -- of the organizations have a linking methodology so that they're going to ratchet down the HoldCo slightly less.

It's clear that especially with the extended period of construction for the new nuclear plants that it's going to be difficult on some of the metrics to maintain some of the current ratings at the operating companies, and that's likely going to put more pressure on those. And if those were to change, then by methodology it's possible, probable, that the HoldCo ratings could change, as well. So it's possible those could slip slightly below investment grade at the HoldCo. But we expect that the OpCo would be able to maintain the investment grade ratings.

Mitchell Moss: So, in other words, you don't see any need to be investment grade at the holding company?

Jimmy Addison: I wouldn't say we don't see any need to. It's a matter of juggling everything we have to juggle and running the operating company at reasonable equity levels that the regulators will endorse. So there's only so much we can do with that.

And the real strain on the metrics is the longer -- although the BLRA is a very effective mechanism, all it allows us to do is to recover the financing cost during the construction period. We're not recovering the actual construction cost of the plants until they start depreciation. That's when we get that -- the recovery of the actual cost of the plants. So the longer that period is drawn out with increased cost of the plants it's going to put more pressure on the cash flow ratio.

So I wouldn't say we don't think it's important. It just may be very, very difficult to do with juggling all of the factors we have to juggle.

Mitchell Moss: So, in other words, when Moody's has discussed that FFO to debt needs to improve above 13% and RCF needs to improve above 8% or 9%, you don't see that likely happening over the next two years based on just how the BLRA recoveries are designed? Is that effectively what you're saying?

Jimmy Addison: Yes, it's going to be a challenge. That's fair.

Mitchell Moss: Okay. Thank you.

Jimmy Addison: You're welcome.

Operator: The next question comes from Andy Levi, from Avon Capital Advisors. Please go ahead.

Andy Levi: Hi, good afternoon. I actually wasn't going to ask a question, but just interesting, the last question, so prompted a question for me. So just understanding, because SCANA Corp.'s Triple B, so obviously you wouldn't defend that Triple B rating, is that what you're saying, if need be? Well, I don't mean defend it verbally. I mean defend it financially. So if the Triple B

rating at SCANA Corp. was in jeopardy, you wouldn't issue equity or come up with some equity to defend that Triple B?

Jimmy Addison: Well, we'd have to look at the situation as we get there. But in the short run here we've strengthened the balance sheet a great deal in one quarter with the \$400 million plus of cash we've brought in. So it's significantly stronger today than it was 90 days ago.

What we've got to do is move through the project, see how these negotiations go, see what the schedule looks like and respond dynamically during the situation. But I can't say that in every case we would keep -- we would issue additional equity just to keep that bond rating at investment grade at the HoldCo.

Andy Levi: Okay. And just to understand, because I guess I had a different impression, or maybe I'm just misinterpreting, but the sale of the pipe, was that to defend the rating or was that done because it made the most economic sense, or a combination of the two?

Jimmy Addison: It was actually done for strategic focus on our retail businesses. The byproduct was what I was mentioning earlier. In the short run here it strengthened the balance sheet substantially. But it was really about focusing on retail businesses, which is core at what we do. So everything that's left in the portfolio is about being focused on those retail businesses in these three states.

Andy Levi: Okay. I'll discuss it with you next time I meet with you. But thank you very much.

Jimmy Addison: You're welcome.

Operator: The next question comes from Tim Winter, of Gabelli & Co. Please go ahead.

Tim Winter: Good afternoon, guys. I was wondering if you could update us on the development of the Sanmen units over in China and if there's any -- what the target completion dates are there, and if there's any issues that we should be aware of as it relates to Summer.

Steve Byrne: Tim, this is Steve again. I can only give you what our understanding is of the schedule at Sanmen. I can't speak for Sanmen, either the utility, the construction company or even Westinghouse. But our understanding is that they have made good progress. The plant physically looks like a complete plant. They would plan to go into production or be operational at the end of 2016. So they continue to be about two and a half years ahead of us, and they're making good progress.

The latest holdups for them, the reactor coolant pumps are probably two-thirds to three-quarters of the way through an extended engineering and endurance run, with no problems noted to date. So with that behind them, that should allow them to get into hydroing the primary side, or the reactor coolant system side, which they hope to get to late this year.

But I believe they've made very good progress there. I know they've just been into flushing the secondary side of the plant, or the turbine building side. I think they've started the flush of the

primary side of the plant, or the reactor side. So we're heartened by good progress there. And our team will be making another trip to China I think it's next week. So we'll be visiting China next week with a team that includes members of SCE&G and Santee Cooper.

Tim Winter: Okay, great. Thank you.

Operator: The next question comes from Dan Jenkins of the State of Wisconsin Investment Board. Please go ahead.

Dan Jenkins: Hi, good afternoon.

Jimmy Addison: Hello, Dan.

Dan Jenkins: I just wanted to make sure that I understand correctly. I'm looking at your Exhibit 1 that you filed in March related to the construction schedule at the nuclear plant, along with your Slide 16, I guess, and just want to make sure I understand kind of the order here. So is it -- so CA04 is already set, right? And then is the next thing going to be CA03, followed by CA01 and CA02? Is that -- am I looking at that properly?

Steve Byrne: No, we have set CA04. We've also set CA05. And then not inside of the containment vessel itself but just outside, forming most of the auxiliary building, is a module called CA20, which we've set. So the CA01 is actually being fabricated. It is -- the weld-out is finished to the point where we could lift it. So we're just waiting for some concrete to be prepped and poured and cured inside of that containment vessel to set CA01. And then after 01 I think it's 02. So 03 is actually one of the later ones to set.

Dan Jenkins: So CA01, CA02 and then CA03?

Steve Byrne: Right. 04 and 05 are already set.

Dan Jenkins: Right. And then are those critical paths so that 02 can't go in until after 01's been set and 03 can't go in until after 01 and 02? Is that true, or not?

Steve Byrne: Yes, Dan, there is a definite sequence to it, and 01 has to be next.

Dan Jenkins: Okay.

Steve Byrne: And there's -- and we're also -- 01 is also constraining the lift of the second containment vessel ring section just because of the height of that module.

Dan Jenkins: Okay. That's the only question I had. Thank you.

Operator: The next question comes from David Paz, from Wolfe Research. Please go ahead.

David Paz: Hey, good afternoon.

Jimmy Addison: Hello, David.

David Paz: Just a question, is a settlement with the ORS and other parties in your pending new nuclear petition possible absent a resolution with the consortium on the cost and schedule?

Steve Byrne: Yes, David, I think we're certainly going to pursue that option, because right now we don't know when the negotiations might be concluded with the consortium. So we would -- we're going to pursue that with the Office of Regulatory Staff and other intervenors to be settled, as in enter into a settlement agreement, prior to the conclusion of the negotiations.

Now, if the negotiations take a very positive turn and they're concluded, obviously that will impact how we proceed. But as of right now we're proceeding assuming that we will not have a settlement of the negotiations and we'll be pursuing a settlement agreement with the Office of Regulatory Staff.

David Paz: Okay. Great. Thank you.

Operator: (Operator Instructions)

And we have a follow-up from Jim von Riesenmann, from Mizuho. Please go ahead.

Jim von Riesenmann: Hi there, again. Sorry about this. I'm -- just listening to the call I'm getting a little confused. Maybe you can help me out. So what's more important for SCE&G is my question? Is it fixing the variable component, cost component of the contract, or is it having the plants come online ahead of the construction timeline that the consortium has proposed?

Steve Byrne: Jim, I'm not sure that I would say either is necessarily more important than the other. We believe that getting the cost right is very important, but it's also critical to us to have the plants come online no later than when the consortium says that they can deliver them to us, which, from our perspective, is already late. So I don't know that I would say one is necessarily more important than the other.

Jim von Riesenmann: Okay. I'll follow up offline with you. Thank you.

Jimmy Addison: Thanks. Jim, let me follow up on your earlier question that I did not know the answer to at the time about why the 2.667 on the Chart No. 8 hasn't changed. That chart reflects the amount of NND CapEx that's included in rates, in cash rates. So, as we don't get new rates except once a year, the rate -- the additional CWIP that's been incurred since the middle of 2014 that's earning AFUDC is not included in that chart.

Jim von Riesenmann: That's right. I should've known that. Sorry for answering that -- asking that question.

Jimmy Addison: I should've known, too. Sorry.

Operator: And we have a follow-up from Michael Lapidès, from Goldman Sachs.

Michael Lapides: Hey, guys. Heard all the commentary regarding the holding company credit rating. Just want to make sure I -- and I may have missed this. Have you guys either gotten commentary from the rating agencies, been put on some kind of watch? Have they made any kind of proactive steps that would result in a downward change to the rating? And can you talk about if any covenant issues that would create or any cross-entity-related issues, something like that, would create, or even if it would have a material impact on your cost of borrowing?

Jimmy Addison: Michael, at the HoldCo we're on negative outlook with S&P and Fitch at Triple B and Triple B+. So there's room for a notch or two, respectively, in both of those and still remain in investment grade, obviously. And we're currently stable at Moody's.

The only thing I was mentioning is that some of them, and, frankly, I don't remember which one right now, have, and maybe most all of them, even, have these methodologies so that if the OpCo moves the HoldCo has to move by methodology by definition. We don't have anything other than that.

I think they're all watching the outcome for the HoldCo just like they are on the OpCo of this very, very important filing before the PSC and the BLRA update. So I think that is the key issue. I'm not aware of any kind of covenant issue or anything like that would cause any additional concerns.

Michael Lapides: But what about just cost to borrow, meaning how do you think about what it does to either short-term debt or borrowing costs in general? I mean, you've got a lot of capital to spend. You've got a lot of debt coming to help fund that capital.

Jimmy Addison: We do. And this whole conversation's been about the HoldCo debt. We don't have any additional debt that we plan -- new debt that we plan to issue at the HoldCo. I think there's maybe \$500 million that would need to be refinanced at some point out 2019, 2020. That's well beyond the critical period where these ratios are going to be stressed. So we don't expect any incremental impact on borrowing cost at the HoldCo, because, frankly, we don't plan to do anything for the next four to five years there.

Michael Lapides: Got it. Thank you, Jimmy. Much appreciated.

Jimmy Addison: You're welcome. I appreciate the clarifying question.

Operator: This concludes our question-and-answer session. I would like to turn the conference back over to Jimmy Addison, Executive Vice President and CFO, for any closing remarks.

Jimmy Addison: Thank you, Andrew.

The first quarter of 2015 has certainly been an eventful one, from the successful closings of the sales of the two subsidiaries to the petition filed with the PSC seeking approval of schedule and cost changes to our new nuclear project. We're very pleased with the results for the quarter, and

we look forward to another successful year. And we thank you all for joining us today and for your interest in SCANA.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.